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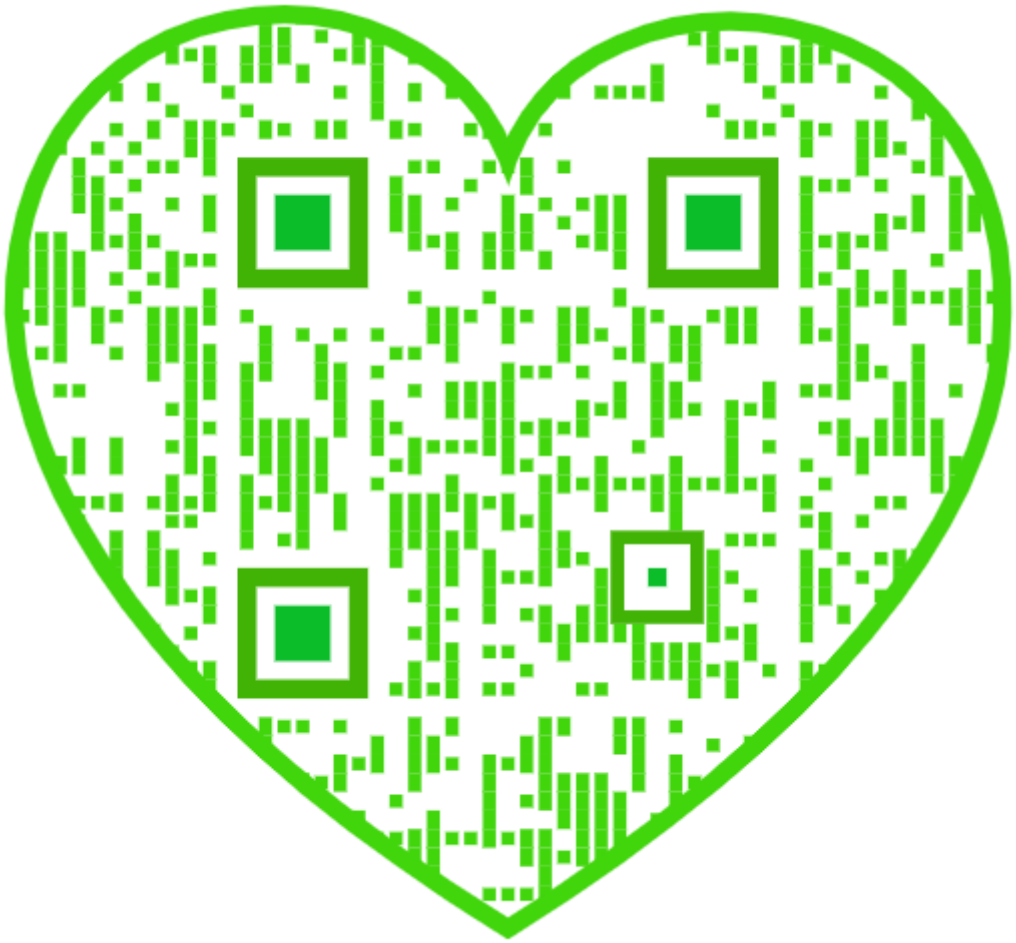

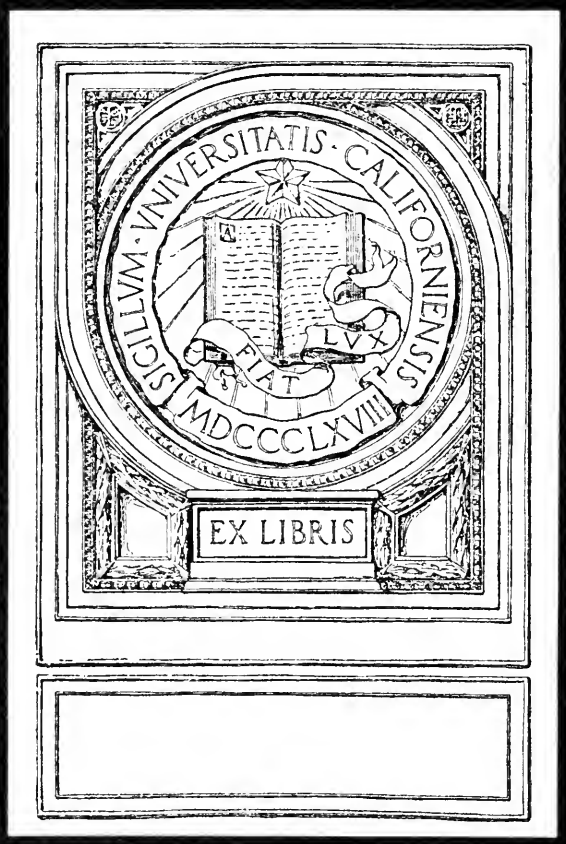
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Simplified Bookkeeping

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Simplified Bookkeeping

BY

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Script Work by H. A. Roush

G. LAWRENCE HOFFMAN CO., Publishers

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PREFACE

It has been my opportunity as a teacher and accountant for the past ten years, to make a personal study of the bookkeeping situation in general, to observe the defects in preparation shown by the average bookkeeper, to investigate the causes of these defects, and lastly to seek to remedy them. As a rule I have found the student, after pursuing the study of bookkeeping for from five to six months and in hundreds of cases a much longer period, immature in his knowledge, with no definite information on the subject and so crammed with a conglomeration of rules and theories and ambiguous explanations that he is unable to make practical use of them. He is quite unprepared to meet the every day transactions of actual business and must undergo a protracted period of what might well be termed apprenticeship before he actually becomes a competent bookkeeper.

The cause of this condition as evidenced by the statements of commercial teachers and former students and corroborated in my own experience, lies in the bookkeeping texts themselves. The main trouble with these texts lies in the fact that the student is not taught to think for himself. No attempt is made to explain logically the disposition of the various kinds of transactions and the student is expected to master the subject merely by memorizing and imitating the work set forth in the text. It is little wonder, considering how complicated and how filled with superfluous matter these works are, that the average mind is unable to grasp and retain those points which are truly essential.

Dissatisfied with existing bookkeeping texts, I wrote Simplified Bookkeeping in order to meet the needs of my classes. Originally, my intention was to write merely for use in my own work but so successful have my methods proved, that I have been induced to put them in book form. The ideas embodied in Simplified Bookkeeping are thus not experimental but the proved results of my experience both as a teacher and an accountant.

SOME OF THE SALIENT FEATURES OF SIMPLIFIED BOOKKEEPING

1. One simple rule of not more than fifteen words, which can be learned in ten minutes, decides and disposes of every different kind of transaction. This eliminates weeks and months of useless memorizing and at the same time gives the student something of infinitely greater value; for by means of this rule he is prepared for any kind of transaction which may arise.

2. It can be mastered by any person of average intelligence in forty hours, without any assistance and in such a practical manner that the student can actually and intelligently keep books.

3. All books including the Journal, Purchase, Sales, Cash, Notes Payable and Notes Receivable books are used from the very beginning. They are scientifically explained, thoroughly illustrated, and their use clearly defined.

4. Drafts receive an entirely new and distinct method of treatment which enables the student to master the subject in from one to two hours.

5. Notes, like drafts, are specially treated making them easily understood.

6. Interest, Discount and Merchandise Discount are defined and treated under new and simple methods.

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7. Absolutely every different point is individually illustrated, giving the student the opportunity of visualizing every detail of the work in addition to his knowledge received through the written explanations. Individual illustrations remove every chance of ambiguity and make an easy and handy reference for entries, etc.

8. Posting for the first time is given an important place. It is thoroughly explained from an entirely new angle and in such a way that posting becomes a matter of absolute accuracy instead of a doubtful procedure.

9. The trial balance is clearly and progressively treated from its simplest form. A short cut trial balance is introduced which retains all of the information of other trial balances but consumes less time in constructing.

10. The balance sheet is logically and scientifically developed. Each step is pointed out and carefully expounded.

11. Every different kind of account is thoroughly explained so that the student is able to decide instantly under what class an account should be placed.

12. The subject of account closing receives special attention so that there will be no doubt as to how to close accounts having no inventory (both financial and working accounts); how to close accounts having a resource inventory; how to close accounts having a liability inventory; how to close accounts having both resource and liability inventories.

13. The creating, developing and disposing of the loss and gain account, a subject never thoroughly presented or understood, is scientifically handled.

14. The several different rulings are illustrated and explanations concerning their use set forth.

15. The different transactions have been taken from actual business, so that the student is prepared to meet the problems which will confront him in the business world.

16. The book is so arranged that it makes a handy reference in cases of immediate need.

17. A complete and accurate set of books may be constructed by taking the transactions from any text or work and applying to them the rule, instructions, etc., set forth in Simplified Bookkeeping.

THE AUTHOR.

SIMPLIFIED BOOKKEEPING

1. **Bookkeeping**:—The recording of business transactions according to prescribed rules and principles.

2. **Business Transaction**:—The exchanging of values between two or more parties.

3. **Kinds of Business Transactions**:—(a) **Complete**—where the values are exchanged by both parties at the same time. (b) **Incomplete**—where the value is given by one party and its equivalent value not received until some future time.

4. **Object**:—To show the cost of purchases, the return from sales, the loss or gain, the resources and liabilities, and the present worth of the business.

5. **Kinds**:—(a) **Single Entry**—the keeping of personal accounts only. (b) **Double Entry**—the keeping of personal, property, and expense accounts.

6. **A Debtor**:—One who has received value, and has made no equivalent return.

7. **A Creditor**:—One who has given value, and has received no equivalent return.

8. **A Debit**:—The value or debt which is owed by the debtor.

9. **A Credit**:—The value or credit which is owed to the creditor.

10. **An Account**:—The grouping together of all debits and all credits which affect a particular person, firm, corporation or thing, and placing them under their proper title.

11. **Kinds of Accounts**:—(a) **Personal**—one which affects a person, firm or corporation. (b) **Property**—one which affects that which is purchased to be sold. (c) **Expense**—one which affects that which is purchased to be used in carrying on the business, and not for the purpose of selling.

Note:—The property account will be known as **Merchandise.** This account may be subdivided.

Example of Subdivided Merchandise Account:—A firm may be dealing in feed and coal. It would be more convenient under such conditions to keep separate merchandise accounts known as **Feed** account and **Coal** account. The **Merchandise** account may be further divided into a **Purchase** account and into a **Sale** account. This further division is made for the purpose of showing the **True** amount of **Net Purchases** and **Net Sales.**

Note:—The **Expense** account affects such things as rent, stamps, fuel, light, heat, clerk hire, etc. This account may be subdivided.

Example of Subdivided Expense Account:—It is preferable, where more detailed work is required, to open special accounts with such items as rent, light, fuel, etc. These special accounts will be known as **Rent** account, **Light** and **Fuel** account, etc.

12. **RULE FOR DETERMINING WHETHER AN ITEM SHALL BE DEBITED OR CREDITED:—THE RESULT OF A SERVICE IS DEBITED AND THE SERVICE ITSELF IS CREDITED.**

Note:—Every transaction consists of a service and a result.

Important. Always apply the rule from the point of view of the **Business** in which you are engaged or in which you are about to engage.

Important. Before applying the rule for debit and credit, ascertain what the thing which is received and the thing which is given, are, that is, whether they come under the headings of merchandise, expense, cash, or personal accounts, etc. After this has been ascertained, apply the rule calling these things by their proper names.

Application of the Rule for Debiting and Crediting

13. I begin business by investing the following:—Merchandise, Cash, Horse and Wagon, and Real Estate.

I perform the service for the business in that I bring into it the merchandise, cash, horse and wagon, and real estate; therefore the merchandise, cash, horse and wagon, and real estate are the results to the business. According to the rule, the service is credited. Since the service is credited and since I performed the service, it must follow that **I** must be credited. Again, according to the rule, the result is debited. Since the result is debited and since **merchandise, cash, horse and wagon, and real estate** are the results, it must follow that **they** must be debited. **For entries see illustration No. 1.**

Illustration No. 1.

JOURNAL

	19–	L. F.					
Aug.	1	2	Horse & Wagon Invest-		400		
		3	Real Estate ment		1050		
		1	To (Your name)				1450

CASH DEBIT SIDE

	19–	L. F.						
Aug.	1	1	To (Your name)	Investment	2000			

PURCHASE BOOK

	19–	L. F.						
Aug.	1	1	To (Your name)	Investment	1300			

14. I buy merchandise on account from Adam Wise.

Note:—On account means that the equivalent value was not given for the merchandise at the time of purchase.

Adam Wise performs the service in that he brings into my business merchandise, therefore the merchandise is the result. According to the rule, the service is credited. Since the service is credited and since Adam Wise performed the service, it must follow that **Adam Wise** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since merchandise is the result, it must follow that **merchandise** must be debited. **For entry see illustration No. 2.**

Illustration No. 2.

PURCHASE BOOK

	19–	L. F.						
Aug.	1	4	Adam Wise	Inv. 7/28/19–	261	13		

15. I buy merchandise for spot cash.

Note:—For Spot Cash means that the money is paid for the merchandise at the time of purchase.

The cash performs the service in that it brings into my business merchandise, therefore the merchandise is the result. According to the rule the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is

debited, and since merchandise is the result, it must follow that **merchandise** must be debited. **For entry see illustration No. 3.**

Illustration No. 3.

PURCHASE BOOK

	19–	L. F.				
Aug.	2	✓	James Minor	Bot for cash	28 50	

Note:—A check mark indicates that the item opposite it is not posted to the ledger.

CASH — CREDIT SIDE

	19–	L. F.				
Aug.	2	✓	James Minor	Bot for cash	28 50	

Note:—it should be remembered that wherever a check mark appears the item opposite it is never posted to the ledger. The thing to be debited or credited always receives its debit or credit in the posting of the sum total of the book in which it appears. This is true except in the case of the cash book when the cash balance will show the debit or credit.

16. **I buy merchandise for a note.**

Note:—For a Note means that at the time the merchandise is purchased a note is given.

Definition of a Note. An unconditional written promise made by one party to another to pay him or to his order or bearer a certain sum of money at a definite time.

For form of note see illustration No. 4.

Illustration No. 4.

$210.25 McKEESPORT, PA. Aug. 3, 19

Thirty days after date I promise to pay to the order of Edward Jackson

Two hundred ten and 00/100 Dollars

at The McKeesport National Bank without defalcation for value received.

No. 1 Date Sept. 2, 19– Your Name

Notes are divided into two general classes—**Notes Payable** and **Notes Receivable.**

A Note Payable:—A note becomes a **Note Payable** to the party issuing it or to the party who has to pay it.

A Note Receivable:—A note becomes a **Note Receivable** to the party who receives it or to the party who collects the money on it and does not eventually have to pay the note.

In the case **I buy merchandise for a note,** the note becomes a **Note Payable** to me, as I have issued it and will have to pay it.

In this case the **Note Payable** performs the service in that it brings merchandise into my business, therefore the merchandise is the result. According to the rule the service is credited. Since the service is credited and since the **Note Payable** performed the service it must follow that **Note Payable** must be credited. Again, according to the rule, the result is debited. Since the result is debited and since merchandise is the result, it must follow that **merchandise** must be debited. **For entry see illustration No. 5.**

Illustration No. 5.

PURCHASE BOOK

	19-	L.F.					
Aug.	3	✓	Edward Jackson	Inv. 8/3/19-	210	25	

Note:—No account is kept with Edw. Jackson. The check mark in the folio columns of the Purchase Book and Notes Payable Book indicate that Jackson's account is not to be posted. The Note Payable will receive its credit in the sum total of the Amount column of the Notes Payable Book posted to the credit side of the Notes Payable account in the ledger. The merchandise will receive its debit in the sum total of the merchandise of the Purchase Book posted to the debit side of the Merchandise account in the ledger.

NOTES

NO.	WHEN GIVEN		DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT GIVEN	WHERE PAYABLE
		19-					
1	Aug.	3		Edw. Jackson	Your Name	Inv. 8/3/19-	Mer. Nat'l Bk.

PAYABLE

DATE			TIME	WHEN DUE												L.F.	AMOUNT		DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19-	Aug.	3	30 days	19-									2				✓	210	25			

17. **I sell merchandise on account to B. C. Wells.**

Merchandise performs the service in that it brings into my business the account of B. C. Wells, therefore B. C. Well's account is the result. According to the rule the service is credited. Since the service is credited, and since merchandise has performed the service, it must follow that **merchandise** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since B. C. Well's account is the result, it must follow that **B. C. Well's** account must be debited. **For entry see illustration No. 6.**

Illustration No. 6.

SALES BOOK

	19-	L.F.				
Aug.	4	5	B. C. Wells, 110 Walnut St.			
			York Pa. Terms on acct.			
			75# C. Butter @ 28¢	21		
			8 doz. #1 Eggs @ 25¢	2		
			3 bunches Bananas @ 1.70	5	10	28 10

18. **I sell merchandise for spot Cash.**

Merchandise performs the service in that it brings into my business cash, therefore cash is the result. According to the rule the service is credited. Since the service is credited, and since merchandise has performed the service it must follow that **merchandise** must be credited. Again, according to the rule, the result is debited. Since the result is debited,

and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 7.**

Illustration No. 7.

SALES BOOK

	19–	L. F.					
Aug.	4	V	J. B. Harris, City.				
			Terms spot cash				
			15 pairs #1 Squabs	@ 63¢	9	45	
			1 box Oranges	@ 3½	3	12	
			12 Grape Fruits	@ 12¢	1	44	14 01

CASH — DEBIT SIDE

	19–	L. F.					
Aug	4	V	J. B. Harris	Sold for cash	14	01	

19. **I sell merchandise for a note.**

Note:—The note in this case is a **Note Receivable** as it comes into my business. Also, I can collect the money on this note and will not have to eventually pay the note.

The merchandise performs the service in that it brings a **Note Receivable** into my business, therefore the **Note Receivable** is the result. According to the rule, the service is credited. Since the service is credited, and since the merchandise has performed the service, it must follow that **merchandise** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since **Note Receivable** is the result, it must follow that **Note Receivable** must be debited. **For entry see illustration No. 8.**

Illustration No. 8.

SALES BOOK

	19–	L. F.					
Aug	5	V	Wm. Hughes, 2 High St.,				
			Hanover, Pa. Terms note 30 ds				
			1 box Oranges		1	65	
			30 bu. Old Potatoes	@ 75¢	22	50	
			12 " New "	@ 96¢	11	52	35 67

NOTES

NO	WHEN RECEIVED		DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT RECEIVED	WHERE PAYABLE
2	Aug	19– 5		Your Name	Wm. Hughes	Sale 8/5/19–	Hanover Nat'l Bk.

RECEIVABLE

DATE			TIME	WHEN DUE												L. F.	AMOUNT		DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19-	Aug.	5	30 ds	19-									4				✓	35	67			

20. **I pay Adam Wise for the merchandise bought from him sometime ago. (See paragraph 14 for original transaction.)**

Cash performs the service in that it liquidates or closes Adam Wise's account, therefore the closing of Adam Wise's account is the result. According to the rule the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since the liquidation of closing of Adam Wise's account is the result, it must follow that **Adam Wise's** account must be debited. **For entry see illustration No. 9.**

Illustration No. 9.

CASH — CREDIT SIDE

	19-	L. F.				
Aug.	5	7	Adam Wise	Inv. 7/28/19-	261	13

21. **I pay my note which I gave for merchandise sometime ago. (See paragraph 16 for original transaction.)**

Note:—When a note is paid, it is returned to the payer cancelled or receipted.

Note:—If I am paying this note it must be a **Note Payable** to me.

Cash performs the service in that it brings into my business my cancelled or receipted note or **Note Payable,** therefore **Note Payable** is the result. According to the rule the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since the **Note Payable** is the result, it must follow that **Note Payable** must be debited. **For entry see illustration No. 10.**

Illustration No. 10.

CASH — CREDIT SIDE

	19-	L. F.				
Sept.	2	4	Notes Payable	Favor Edw. Jackson	210	25

22. **I receive cash from B. C. Wells for the merchandise sold him some time ago. (See paragraph 17 for original transaction.)**

B. C. Wells performs the service in that he brings into my business cash, which liquidates or closes his account on my books, therefore cash is the result. According to the rule, the service is credited. Since the service is credited, and since B. C. Wells has performed the service, it must follow that **B. C. Wells** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 11.**

Illustration No. 11.

CASH — DEBIT SIDE

	19-	L. F.				
Aug.	6	5	B. C. Wells	Inv. 8/4/19-	28	10

23. I collect the money for the note which I received sometime ago for merchandise. **(See paragraph 19 for original transaction.)**

Note:—When a note is paid, the party receiving the money cancells or receipts the note and returns it to the payer.

Note:—If I am collecting the money on this note it must be a **Note Receivable** to me.

The **Note Receivable** performs the service in that it brings cash into my business, therefore cash is the result. According to the rule, the service is credited. Since the service is credited, and since the **Note Receivable** has performed the service, it must follow that **Note Receivable** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 12.**

Illustration No. 12.

CASH — DEBIT SIDE

	19-	L. F.				
Sept	4	7	Notes Receivable	Wm. Hughes note	35 67	

24. I pay my bill, due James Hecker, for merchandise, which I purchased from him sometime ago. For paying the bill at this time he allows me a discount. **(The original transaction for this is similar to the one in paragraph 14.)**

Definition for Merchandise Discount:—A certain percentage on each dollar or fraction thereof allowed to the purchaser for paying his bills within a certain time. Of course this discount is allowed by the seller.

IMPORTANT. The presumption is that the purchaser pays to the seller the full amount of the bill on which he is to be allowed a merchandise discount and that the seller then returns to the purchaser the amount of the merchandise discount. This makes two transactions or two debits and two credits.

First transaction. I pay my bill, due James Hecker, for merchandise which I purchased from him sometime ago.

Cash performs the service in that it liquidates or closes James Hecker's account on my books, therefore James Hecker's account is the result. According to the rule, the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since the closing of James Hecker's account is the result, it must follow that **James Hecker's** account must be debited. **For entry see illustration No. 13.**

Illustration No. 13.

CASH — CREDIT SIDE

	19-	L. F.				
Aug.	7	8	James Hecker	Inv. 8/2/19-	128 12	

Second transaction. For paying the bill at this time James Hecker allows me a discount.

Remember the presumption is that the full amount of the bill is paid by the purchaser after which the seller returns to him the amount of the **Merchandise Discount.**

Merchandise Discount performs the service in that it brings into my business cash, **(had it not been for Merchandise discount I would not have received this cash)** therefore cash is the result. According to the rule, the service is credited. Since the service is credited, and since **Merchandise Discount** has performed the service, it must follow that **Merchandise Discount** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 14.**

Illustration No. 14.

CASH — DEBIT SIDE

	19-	L.F					
Aug	7	9	Mdse. Discount	Jas Hicken Inv 9/2/19	2	56	

25. John Watson pays me for merchandise which I sold him sometime ago. I allow him a discount.

First transaction. John Watson pays me for merchandise which I sold him sometime ago.

John Watson performs the service in that he brings into my business cash, which liquidates or closes his account on my books, therefore cash is the result. According to the rule, the service is credited. Since the service is credited, and since John Watson has performed the service, it must follow that **John Watson** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 15.**

Illustration No. 15.

CASH — DEBIT SIDE

	19-	L.F					
Aug	8	10	John Watson	Inv 9/3/19-	2	16	19

Second transaction. I allow John Watson a discount.

Note:—If I allow John Watson a discount, then cash goes out of my business and it results in discharging my obligation known as **Merchandise Discount.**

Cash performs the service in that it discharges my obligation known as **Merchandise Discount,** therefore **Merchandise Discount** is the result. **(Had it not been for Merchandise Discount I would not have had to pay out cash.)** According to the rule the service is credited. Since the service is credited, and since cash has performed the service it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since **Merchandise Discount** is the result, it must follow that **Merchandise Discount** must be debited. **For entry see illustration No. 16.**

Illustration No. 16.

CASH — CREDIT SIDE

	19-	L.F.					
Aug	8	9	Mdse. Discount	John Watson Inv 9/3/19	6	49	

26. I discount my note issued for merchandise sometime ago.

Note:—The original transaction of this case is similar to the case in **paragraph 16.**

Definition of Discount from the PAYER'S view point:—A sum of money allowed to the payer of a negotiable instrument (note, draft, etc.) for paying it before it is due.

Important. The presumption is that the payer pays the full amount of his instrument after which there is returned to him the amount of the discount.

Note:—The instrument is receipted or cancelled and returned to the payer by the receiver or holder, at the time of payment.

First transaction. I pay my note.

Cash performs the service for me in that it brings into my business my **Note Payable (cancelled or receipted),** therefore **Note Payable** is the result. According to the rule the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debit-

ed. Since the result is debited, and since **Note Payable** is the result, it must follow that **Note Payable** must be debited. **For entry see illustration No. 17.**

Illustration No. 17.

CASH — CREDIT SIDE

19-		L. F.						
Aug	10	12	Notes Payable	Favor James Smith	300			

Second transaction. I receive the amount of the discount in cash.

Discount performs the service in that it brings into my business cash. **(Had it not been for Discount we would not have received this cash),** therefore Cash is the result. According to the rule, the service is credited. Since the service is credited, and since **Discount** has performed the service, it must follow that **Discount** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 18.**

Illustration No. 18.

CASH — DEBIT SIDE

19-		L. F.						
Aug	10	12	Int & Disct	James Smith note	1	50		

27. **I have a note, which I received for merchandise sold sometime ago, discounted.**

Definition of Discount from the RECEIVER'S or HOLDER'S view point:—A sum of money allowed by the receiver or holder of a negotiable instrument (note, draft, etc.) for the privilege of collecting it before it is due.

Important. The presumption is that the receiver or holder collects the full amount of the instrument after which he returns the amount of the discount.

Remember that the instrument is receipted or cancelled by the receiver or holder at the time of collection, and returned to the payer.

First transaction. I collect the money on a note.

Note Receivable performs the service in that it brings into my business cash, therefore cash is the result. According to the rule, the service is credited. Since the service is credited, and since **Note Receivable** has performed the service, it must follow that **Note Receivable** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 19.**

Illustration No. 19.

CASH — DEBIT SIDE

19-		L. F.						
Aug	14	13	Notes Receivable	N. P. Packer note	219	75		

Second transaction. I pay the amount of the discount in cash.

Note:—If I pay the amount of the discount, then cash goes out of my business and it results in discharging my obligation known as **Discount.**

Cash performs the service in that it discharges my obligation known as **Discount,** therefore **Discount** is the result. According to the rule, the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is

debited and since **Discount** is the result, it must follow that **Discount** must be debited. For entry see Illustration No. 20.

Illustration No. 20.

CASH — CREDIT SIDE

	19-	L. F						
Aug.	14	12	Cash Discount	N. L. Packenmotor		2	20	

28. I discount my note issued for merchandise sometime ago. This note is interest bearing. For form of interest bearing note see illustration No. 21.

Illustration No. 21.

$316.19 LANCASTER, PA. Aug. 14, 19

Sixty days after date I promise to pay to the order of Joseph Morgan

Three hundred sixteen and 19/100 Dollars

at Pittsburgh National Bank

For value received with interest. Your Name

No. 3 Date Oct. 13, 19-

First transaction. I pay my note. (For a similar transaction, see paragraph 26, First transaction.)

Second transaction. I pay the interest due on my note.

Definition of Interest from the BORROWER'S or PAYER'S view point:—A certain sum which must be paid by one who has borrowed money for the use of the amount borrowed.

Note:—The borrower is also the payer.

Important. **Interest** is an obligation which can be liquidated by payment only.

In this case, cash performs the service in that it liquidates or closes my obligation known as **Interest**, therefore, **Interest** is the result. According to the rule, the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since **Interest** is the result, it must follow that **Interest** must be debited.

Third transaction. I receive the amount of the discount in cash. (For a similar transaction, see paragraph 26, Second transaction.) For the three entries in this case see illustration No. 22.

Illustration No. 22.

CASH — CREDIT SIDE

	19-	L. F.						
Sept	29	12	Notes Payable	Favor Joseph Morgan	3	16	19	
	29	12	Interest	Joseph Morgan note		3	16	

CASH — DEBIT SIDE

	19-	L. F					
Sept.	29	12	Discount	Joseph Moran note		75	

29. I have a note, which I received for merchandise sold sometime ago, discounted. This note is interest bearing.

First transaction. I collect the money on the note. (For a similar transaction see paragraph 27, First transaction.)

Second transaction. I collect the interest, due me, on this note.

Definition of Interest from the LENDER'S or RECEIVER'S view point:—A certain sum which must be paid to the lender of money for the use of the amount loaned.

Note:—The lender is also the **Receiver or Holder.**

Interest performs the service in that it brings into my business cash, therefore, cash is the result. **(Had it not been for Interest I would not have received this cash.)** According to the rule, the service is credited. Since the service is credited and since **Interest** has performed the service it must follow that **Interest** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited.

Third transaction. I pay the amount of the discount in cash. (For a similar transaction, see paragraph 27, Second transaction.) For the three entries in this case see illustration No. 23.

Illustration No. 23.

CASH — DEBIT SIDE

	19-	L. F.					
Aug.	31	7	Notes Receivable	Wm. Wooster note	195		
	31	12	Interest	Wm. Wooster note		98	

CASH — CREDIT SIDE

	19-	L. F					
Aug.	31	12	Discount	Wm. Wooster note		49	

30. I buy stamps for cash.

Remember to ascertain what the thing is which you buy, before you analyze the transaction.

Stamps are an expense. (See paragraph 11 (C)). (See Note under paragraph 11.)

Cash performs the service in that it brings into my business stamps, which come under the heading of expense, therefore **Expense** will be the result. According to the rule, the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since **Expense** is the result, it must follow that **Expense** must be debited. **For entry see illustration No. 24.**

Illustration No. 24.

CASH — CREDIT SIDE

	19-	L. F.					
Aug.	15	14	Expense	Stamps	2		

31. **I pay cash for one month's rent of store room.**

Rent is an expense. (See paragraph 11 (C)) (See Note under paragraph 11.)

Cash performs the service in that it brings into my business the **use** of a store room, which is known as rent, and which, in turn, is known as expense, therefore **Expense** is the result. According to the rule, the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since **Expense** is the result, it must follow that **Expense** must be debited. **For entry see illustration No. 25.**

Illustration No. 25.

CASH

CREDIT SIDE

	19-	L. F.			
Aug	16	14	Expense	One mos. rent of store room	65

Note:—A separate account may be kept for rent. In this event, instead of calling the **use** of the store room expense, call it **Rent.** In applying the rule, the thing that will be debited, in this case, will be **Rent** instead of **Expense.** **(See "Example of Subdivided Expense Account," paragraph 11.)**

DRAFTS

32. **A Draft:**—A written request drawn by a first party, on a second party, ordering the second party to pay a certain sum of money to a third party.

Note:—The first party is known as the **Drawer,** the second party, **Drawee,** and the third party, **Payee.**

Kinds of Drafts:—Sight and Time.

Sight Draft:—A draft payable on demand. **For form see illustration No. 26.**

Illustration No. 26.

DRAFT AT SIGHT

$127.65 **BALTIMORE, MD.,** Aug 18, **19**

At sight Pay to the

Order of Raymond Myers

One hundred twenty-seven and 65/100 Dollars

Value received and charge the same to account of

To William Ables,
No 1 Cly. Pa

Edgar R Morris

Time Draft:—A draft payable so many days "after date" or "after sight." **For forms see illustrations No. 27 a b c.**

Illustration No. 27a.

DRAFT AFTER DATE

$100.00 **PHILADELPHIA, PA.,** Aug. 16, **19**

Thirty days after date Pay to the Order of William Rose

One hundred and 00/100 Dollars

Value received and charge the same to account of

To James Hoke, No 3 Oxford, Pa. } B C Wallace

Illustration No. 27b.

DRAFT AFTER SIGHT

$200.00 **WELLSBORO, PA.,** Sept 2, **19**

Twenty days after sight Pay to the Order of William Wolf

Two hundred and 00/100 Dollars

Value received and charge the same to account of

To R C Barton, No 4 York, Pa. } John Drummond

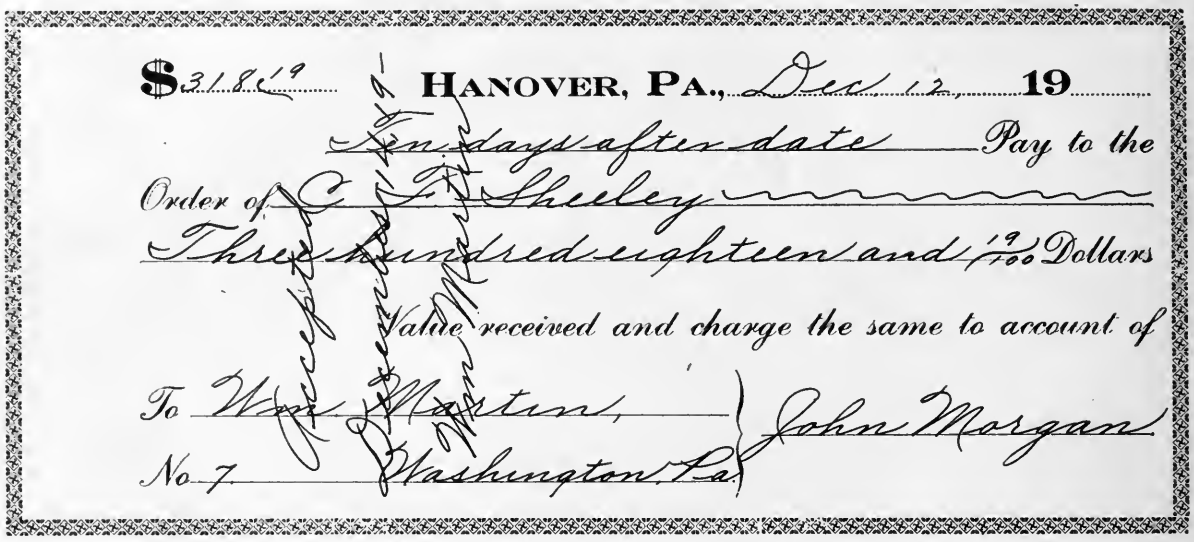
Note:—"After sight" means after the date of acceptance.

Acceptance:—The word "Accepted" together with the date of acceptance and the name of the **Drawee,** written across the face of the draft.

Important· As soon as the acceptance is written across the face of the draft, it (the draft) becomes a written promise to pay. The party who has made the promise and who must pay the instrument is the acceptor or **Drawee.** A written promise to pay a certain sum of money, is known as a note. **(See definition for a note, paragraph 16).** Therefore, to the **Drawee,** the accepted draft becomes a **Note Payable,** while to the **Payee,** who receives the accepted draft it becomes a **Note Receivable.**

Illustration No. 27c.

DRAFT AFTER DATE SHOWING ACCEPTANCE


$318.19
HANOVER, PA., Dec 12 19
Ten days after date Pay to the
Order of C. F. Sheeley
Three hundred eighteen and 19/100 Dollars
Value received and charge the same to account of
To Wm. Martin,
No. 7 Washington St.
John Morgan
Accepted Dec 12 19
Sam'l Marks

BE SURE to look up illustrations Nos. 26 and 27. You will find additional valuable information.

Important. The Drawer is owed by the Drawee and the Drawee owes the Payee.

I draw a time draft on Sam'l Marks in favor of Wm. Mason. Sam'l Marks accepts the draft.

Note:—In this case, **Marks** owes the **Drawer** and the **Drawer** owes **Mason.**

Marks performs the service in that he liquidates my indebtedness with Wm. Mason (on my books, Mason is credited, Marks' acceptance of the draft offsets this credit. Therefore the result is the offsetting of Mason's account), therefore Wm. Mason's account is the result. According to the rule the service is credited. Since the service is credited and since Marks has performed the service, it must follow that **Marks** must be credited. Again, according to the rule, the result is debited. Since the result is debited and since the liquidation of Mason's account is the result, it must follow that **Mason's** account must be debited. **For entry see illustration No. 28.**

Illustration No. 28.

JOURNAL

	19–	L. F.						
Aug	14	8	Wm Mason	Draft at 20 das	110			
		9	Saml Marks	drawn on Mason			110	
				in favor of Marks				

33. H. B. Wright draws a time draft on Me in favor of John Wood. I accept the draft.

Note:—When I accept this draft, it becomes a Note Payable to me.

Note Payable performs the service in that it liquidates my account with H. B. Wright, therefore H. B. Wright's account is the result. According to the rule the service is credited. Since the service is credited, and since Note Payable has performed the service, it must follow that **Note Payable** must be credited. Again, according to the rule, the result

is debited. Since the result is debited, and since the liquidation of Wright's account is the result, it must follow that **H. B. Wright's** account must be debited. **For entry see illustration No. 29.**

Illustration No. 29.

NOTES

No.	WHEN GIVEN	DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT GIVEN	WHERE PAYABLE
4	19- Aug. 18	H. B. Wright	John Wood	Your Name	Inv. 8/5 1-9	Hanover, Pa.

PAYABLE

DATE			TIME	WHEN DUE												L.F.	AMOUNT			DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19-	Aug.	18	30 da.	19-									7				12	265	35			

34. **Wm. Oliver draws a time draft on John Perry in favor of Me. John Perry accepts the draft.**

Note:—This accepted draft becomes a note. I receive it, hence it is a Note Receivable to me.

Wm. Oliver performs the service in that he brings into my business a Note Receivable, therefore Note Receivable is the result.

Remember that while John Perry really gives me the note he does not owe me anything. Perry gives me the note at the request of Wm. Oliver, who owes me money.

According to the rule, the service is credited. Since the service is credited and since Wm. Oliver has performed the service, it must follow that **Wm. Oliver** must be credited. Again, according to the rule the result is debited. Since the result is debited, and since Note Receivable is the result, it must follow that **Note Receivable** must be debited. **For entry see illustration No. 30.**

Illustration No. 30.

NOTES

No.	WHEN RECEIVED	DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT RECEIVED	WHERE PAYABLE
4	19- Aug. 16	Wm. Oliver	Your Name	John Perry	Inv. 8/12 1-9	Melrose, Md.

RECEIVABLE

DATE			TIME	WHEN DUE												L.F.	AMOUNT			DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19-	Aug.	14	30 da.	19-									13				9	162	49			

35. I draw a time draft on Jacob Klein in favor of Myself. Klein accepts the draft.

Note:—In this case, the accepted draft or note comes to me as I am both **Drawer and Payee.** The instrument is always given to the **Payee.**

Jacob Klein performs the service in that he brings into my business a Note Receivable, therefore Note Receivable is the result.

For application of the rule, see paragraph 34. For entry see illustration No. 31.

Illustration No. 31.

NOTES

NO.	WHEN RECEIVED	DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT RECEIVED	WHERE PAYABLE
8	Aug. 19 19-	Your Name	Your Name	Jacob Klein	Inv. 9/15/19-	York, Pa.

RECEIVABLE

DATE			TIME	WHEN DUE												L.F.	AMOUNT		DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19-	Aug.	16	10 days	19-								26					9	182	90			

36. I draw a sight draft on Oliver Myers in favor of Edw. Martin.

Remember a sight draft is payable on demand.

Oliver Myers performs the service in that he liquidates my indebtedness with Edw. Martin, therefore the liquidation of Martin's account is the result. (On my books Martin is credited. Myers' payment of this draft, on demand, offsets this credit.)

For application of the rule, see paragraph 32. For entry see illustration No. 32.

Illustration No. 32.

JOURNAL

	19-	L.F.						
Aug	19	10	Edw. Martin	Draft at 30 days	125	50		
		11	Oliver Myers	drawn on Myers			125	50
				in favor of Martin				

37. Howard Ort draws a sight draft on Me in favor of Wm. Wentz. The draft is presented to Me for payment.

Cash performs the service in that it liquidates my indebtedness with Howard Ort, therefore the liquidation or closing of Howard Ort's account is the result.

Note:—The sight draft is not accepted but is paid on demand. Since it is not accepted it does not become a note. Since it is paid on demand, it has the same affect as a check.

Important. The sight draft is handled the same as a check.

According to the rule the service is credited. Since the service is credited, and since cash has performed the service, it must follow that **cash** must be credited. Again, accord-

ing to the rule, the result is debited. Since the result is debited, and since the liquidation or closing of Howard Ort's account is the result, it must follow that **Howard Ort's** account must be debited. **For entry see illustration No. 33.**

Illustration No. 33.

CASH — CREDIT SIDE

	19-						
Aug.	20	16	Howard Ort	Sight dft. Inv. 9/12/19-	98	75	

38. Edward Park draws a sight draft on Morris Town in favor of Me. The draft is presented by Me for payment.

Remember that the sight draft is the same as a check.

Edward Park performs the service in that he brings into my business cash, which liquidates or closes his account on my books, therefore cash is the result.

Remember that I have had no business relations with Morris Town and that, while Morris Town has actually given to me the money, he has done it only as a favor to Edward Park and for the purpose of liquidating or closing Park's account on my books.

The Reason why Town did this favor for Park was because Town owed Park money.

According to the rule the service is credited. Since the service is credited and since Edward Park has performed the service, it must follow that **Edward Park** must be credited. Again, according to the rule, the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 34.**

Illustration No. 34.

CASH — DEBIT SIDE

	19-	L.F.					
Aug.	20	17	Edward Park	Sight dft. Inv. 9/17/19-	64	98	

39. I draw a sight draft on E. R. Burr in favor of Myself. The draft is presented by Me for payment.

E. R. Burr performs the service in that he brings into my business cash, therefore cash is the result. According to the rule, the service is credited. Since the service is credited, and since E. R. Burr has performed the service, it must follow that **E. R. Burr** must be credited. Again, according to the rule the result is debited. Since the result is debited, and since cash is the result, it must follow that **cash** must be debited. **For entry see illustration No. 35.**

Illustration No. 35.

CASH — DEBIT SIDE

	19-	L.F.					
Aug.	20	17	E.R. Burr	Sight dft. Inv. 9/16/19-	102	50	

40. Important. (a) A time draft becomes a Note Payable to the party who accepts it. (b) A time draft becomes a Note Receivable to the party who holds it after acceptance.

Payment and Collection of Time Drafts

Maturity means that the time given in which to fulfill a promise, has expired, and that the promise, represented in the instrument (Note or Accepted Draft), must now be fulfilled.

41. **I pay a time draft (Note Payable), which was drawn on Me by William Simpson in favor of Samuel Keller.**

Note:—When it is stated, "I pay a time draft", etc., it will be understood that the instrument has been accepted sometime previous to the payment.

Cash performs the service in that it brings into my business my cancelled or receipted note or **Note Payable**, therefore **Note Payable** is the result. **For application of the rule see paragraph 21. For a similar entry see illustration No. 10.**

42. **I discount a time draft (Note Payable), which was drawn on Me by John Hoe in favor of William Johnson.**

First transaction. I pay my note (accepted draft.)

Cash performs the service in that it brings into my business my **Note Payable (the draft which I accepted)**, cancelled or receipted, therefore **Note Payable** is the result. **For application of the rule see paragraph 26. For a similar entry see illustration No. 17.**

Second transaction. I receive the amount of the discount in cash. Discount performs the service in that it brings into my business cash. **(Had it not been for Discount we would not have received this cash)**, therefore cash is the result. **For application of the rule see paragraph 26. For a similar entry see illustration No. 18.**

43. **I collect the money for a time draft (Note Receivable), which was drawn by Carl Short on Clyde Hoke in favor of Me.**

Note:—When it is stated, "I collect the money," etc., it will be understood that the instrument has been accepted sometime previous to the collection.

The **Note Receivable** performs the service in that it brings into my business cash, therefore cash is the result. **(My cancelling or receipting the note and returning it to the payer, has been instrumental in bringing into my business the cash.) For application of the rule see paragraph 23. For a similar entry see illustration No. 12.**

44. **I discount a time draft (Note Receivable), which was drawn by H. B. Scott on E. C. Eckles in favor of Me.**

First transaction. I collect the money on a note. (Accepted draft.)

Note Receivable (accepted draft) performs the service in that it brings into my business cash, therefore cash is the result. **For application of the rule see paragraph 27. For a similar entry see illustration No. 19.**

Second transaction. I pay the amount of the discount in cash. Cash performs the service in that it discharges my obligation known as **Discount**, therefore **Discount** is the result. **For application of the rule see paragraph 27. For a similar entry see illustration No. 20.**

Important. Drafts are never interest bearing.

45. **I buy merchandise on account from Adam Wise. See paragraph 14. I return this merchandise to Adam Wise as being unsatisfactory.**

Note:—When merchandise is returned by you, consider it the same as if it were sold.

Merchandise performs the service in that it liquidates or closes my former indebtedness to Adam Wise, therefore the liquidation or closing of Adam Wise's account is the result. According to the rule the service is credited. Since the service is credited, and since merchandise has performed the service, it must follow that **merchandise** must be credited. Again, according to the rule the result is debited. Since the result is debited and since the liquidation or closing of Adam Wise's account is the result, it must follow that **Adam Wise's** account must be debited. **For entry see illustration No. 36.**

Illustration No. 36.

JOURNAL

	19-	L.F.						
Aug.	21	16	Adam Wise	Mdse returned as	105	18		
		12	Merchandise	being unsatisfactory			105	18

46. I sell merchandise on account to B. C. Wells. See paragraph 17. This merchandise is returned to Me by B. C. Wells as being unsatisfactory.

Note:—When merchandise is returned to you, consider it the same as if it were purchased.

B. C. Wells performs the service in that he brings into my business merchandise, therefore merchandise is the result. **For application of the rule see paragraph 14. For entry see illustration No. 37.**

Illustration No. 37.

JOURNAL

	19-	L.F.						
Aug.	21	17	Merchandise	Mdse returned as	59	12		
		15	B. C. Wells	being unsatisfactory			59	12

Note:—It is deemed more advisable, in the last two cases cited (45-46), not to place the merchandise returned under the merchandise account, as it makes that account appear as though you bought more goods, in the one case (46), and sold more goods, in the other case (45), than you really did. It would be better to place merchandise returned, therefore to an account known as **Merchandise Returned** and carry the balance, shown by this account, to the regular merchandise account, when the ledger is closed. This will have no effect on the application of the rule. **For entry showing cases 45-46 placed to Merchandise Returned account see illustration No. 38 a and b.**

Illustration No. 38a.

JOURNAL

	19-	L.F.						
Aug.	21	16	Adam Wise	Mdse returned as	105	18		
		14	Mdse Returned	being unsatisfactory			105	18

Illustration No. 38b.

JOURNAL

	19-	L.F.						
Aug.	21	14	Mdse Returned	Mdse returned as	59	12		
		15	B. C. Wells	being unsatisfactory			59	12

Important. Shortages, damages, overcharges, etc., may be kept under the same heading, that is, Merchandise Returned account.

It will be helpful to remember that in the case of merchandise returned, refunds or rebates, if a special account is not kept, an entry exactly opposite to the original entry is always made. For example see illustration No. 39 a b c d.

Illustration No. 39a.

PURCHASE BOOK

	19-	L. F.				
Aug.	22	6	Wm. Watson	Inv. 8/20/19-	156 32	

Illustration No. 39b.

JOURNAL

	19-	L. F.					
Aug.	23	6	Wm. Watson	Part of Inv. 8/20/19-	46 08		
		17	Merchandise	returned as being		46	08
				unsatisfactory			

Illustration No. 39c.

SALES BOOK

	19-	L. F			
Aug.	23	17	A. B. Kaufman, 122 Liberty St.,		
			Pittsburgh, Pa. Terms on acct.		
			75 pairs Squabs #1 @ 45¢	33 75	
			30 " " #2 @ 30¢	9	42 75

Illustration No. 39d.

JOURNAL

	19-	L. F.					
Aug.	23	17	Merchandise	Part of Inv. 8/23/19-	12 16		
		14	A. B. Kaufman	returned as		12	16
				unsatisfactory			

47. I buy merchandise for cash from Ralph Peterson.

For application of the rule see paragraph 15. For entry see illustration No. 3.

(a) Note:—If it is desired to keep a record of this transaction in the personal account, that is in Ralph Peterson's account, it will be necessary to divide the case into two transactions.

First transaction. I buy merchandise from Ralph Peterson.

Note:—The presumption is that you buy it on account.

For application of the rule see paragraph 14. For a similar entry see illustration No. 2.

Second transaction. I pay Ralph Peterson. (For the merchandise purchased from him in the first transaction). For application of rule see paragraph 20. For a similar entry see illustration No. 9.

(b) **Note:**—A transaction is disposed of in this manner for the purpose of ascertaining at any time the entire amount of business done with a person, firm or corporation.

It will be noticed that while two transactions are made out of this case, as shown in this paragraph, and only one transaction as shown in paragraph 15, the ultimate result will be the same. The personal account will have the same amount on each side thus liquidating or closing it. This leaves a debit in the merchandise account and a credit in the cash account. The method of handling this case, as shown in paragraph 15, only produces a debit in the merchandise account and a credit in the cash account. **For comparative illustrations of these methods and for the purpose of showing the similar ultimate results, see illustration No. 40. Also illustration No. 3.**

Important. In buying merchandise for a note from a person, firm or corporation, proceed in the same way as shown in paragraph 47, providing you wish to keep a record of the transaction in the personal account. If the record in the personal account is not desired, proceed as in paragraph 16.

Illustration No. 40.

PURCHASE BOOK

	19-	L. F.					
Aug	24	18	Ralph Peterson	Note 8/22/19-	108	10	

CASH — CREDIT SIDE

	19-	L.F.						
Aug	24	18	Ralph Peterson	Note 8/22/19-	108	10		

48. **I sell merchandise for cash to Arthur Owens.**

For application of the rule see paragraph 18. For entry see illustration No. 7. See Note (a) paragraph 47. Be sure to read this note.

First transaction. I sell merchandise to Arthur Owens.

Note:—The presumption is that you sell it on account.

For application of the rule see paragraph 17. For a similar entry see illustration No. 6.

Second transaction. I receive cash from Arthur Owens. (For the merchandise sold to him in the first transaction). For application of the rule see paragraph 22. For a similar entry see illustration No. 11.

See note (b) paragraph 47. Be sure to read this note.

It will be noticed that while two transactions are made out of this case, as shown in this paragraph, and only one transaction as shown in paragraph 18, the ultimate result will be the same. The personal account will have the same amount on each side thus liquidating or closing it. This leaves a debit in the cash account and a credit in the merchandise account. The method of handling this case, as shown in paragraph 18, only produces a debit in the cash account and a credit in the merchandise account. **For comparative illustrations of these methods and for the purpose of showing the similar ultimate results, see illustrations Nos. 41 and 7.**

Illustration No. 41.

SALES BOOK

	19-	L. F.					
Aug.	24	13	A. J. Lymn, La Botte, Pa. Terms on acct				
			30 crates #2 Eggs 12 doz. @ 13¼¢	47	70		
			3 tubs C. Butter 360# @ 18¢	64	80	112	50

CASH

DEBIT SIDE

	19-	L. F.					
Aug	24	13	A. J. Layman	Inv. 8/24/19-	112	50	

Important. In selling merchandise to a person, firm or corporation for a note, proceed in the same way as shown in paragraph 48, providing you wish to keep a record of the transaction in the personal account. If the record in the personal account is not desired, proceed as in paragraph 18.

49. **Negotiable** notes and drafts are those which can be transferred from one party to another by endorsement and delivery. Only those commercial papers (notes, drafts, checks, etc.) which contain the words "or order" or "or bearer" are said to be negotiable. **For illustration of negotiable note, draft and check see illustrations Nos. 21, 28d, 42.**

Commercial paper (notes, drafts, checks, etc.) which do not contain the words "or order" or "or bearer" are said to be non-negotiable.

Note:—In most states non-negotiable paper may, by statute, be transferred by assignment.

Illustration No. 42.

CHECK

No. 1

THE UNION NATIONAL BANK

YORK, PA. April 4, 19

PAY TO THE ORDER OF George B. Williams $105.[illegible]

One hundred five and [illegible]/100 Dollars

Charles G. Wester

50. **Endorsement:**—The special writing across the back of negotiable paper which, together with delivery, transfers it from one party to another.

Kinds of Endorsements and their definitions.

(a) **Blank:**—Where the holder transfers the paper by writing his name across the back. **See illustration No. 43.**

(b) **Full:**—Where the holder writes his name across the back of the paper together with the directions to pay a certain party. **See illustration No. 44.**

(c) **Restrictive**:—Where the holder writes his name across the back of the paper together with the directions to pay a certain party and indicating for what purpose it shall be paid. **See illustration No. 45.**

Note:—A restrictive endorsement does not transfer the paper to the endorsee, but indicates that the endorsee is acting in the capacity of agent for the endorser.

(d) **Without Recourse**:—Where the holder writes his name across the back of the paper together with the directions to pay a certain party and the words "without recourse". **See illustration No. 46.**

ENDORSEMENTS

Illustration No. 43.

BLANK

John Wiseman

Illustration No. 44.

FULL

Pay to the order of
E. P. Rice.
John Wiseman.

Illustration No. 45.

RESTRICTIVE

Pay to E. P. Rice only.
John Wiseman.

Note:—The words "without recourse" are said to relieve the endorser from all liability in case the maker does not pay.

(e) **Conditional**:—Where the holder writes his name across the back of the paper together with the directions to pay a certain party, and stipulating a certain condition to be fulfilled before the endorsement shall be effective. **See illustration No. 47.**

Illustration No. 46.

WITHOUT RECOURSE

Pay to the order of
E P Rice,
without recourse.
John Wiseman.

Illustration No. 47.

CONDITIONAL

Pay to E. P. Rice
April 2, 19- provided he becomes
my partner in the
manufacturing business on that date.
John Wiseman.

51. **I buy merchandise for a note.**

Information:—This note was received sometime ago by me for selling merchandise.

Remember when this note came in, it was a note receivable (to me). It will have to remain a note receivable even though you give it to another party in payment of goods.

Note Receivable performs the service in that it brings merchandise into my business, therefore merchandise is the result. According to the rule the service is credited. Since the service is credited and since Note Receivable performed the service, it must follow that **Note Receivable** must be credited. Again, according to the rule, the result is debited. Since the result is debited and since merchandise is the result, it must follow that **merchandise** must be debited. **For entry see illustration No. 48.**

Illustration No. 48.

PURCHASE BOOK

	19-	L. F.					
Aug.	25	2	Notes Rec. L. C. White Inv. 9/24/19-	75	50		

Note:—In this case no account is kept with L. C. White. By posting directly from this book to the credit side of Notes Receivable account in the ledger, it will liquidate this particular note's original entry.

52. I sell merchandise for a note.

Information:—This note which I now receive was given (issued) by me sometime ago for merchandise which I purchased.

Remember when this note was issued by me it was a note payable (to me). It will have to remain a note payable even though I receive it from another party in payment of goods.

Merchandise performs the service in that it brings into my business a Note Payable, therefore Note Payable is the result. According to the rule the service is credited. Since the service is credited and since merchandise has performed the service, it must follow that **merchandise** must be credited. Again, according to the rule, the result is debited. Since the result is debited and since Note Payable is the result, it must follow that **Note Payable** must be debited. **For entry see illustration No. 49.**

Illustration No. 49.

SALES BOOK

	19-	L. F.						
Aug.	25	4	Notes Payable					
			8 doz. #1 Eggs	@ 25¢	8			
			25# Lard	@ 18¢	4	50		
			35 bu. Old Potatoes	@ 89¢	31	15	43	65

Note:—In this case the personal account is not kept. By posting directly from this book to the debit side of Notes Payable account in the ledger, it will liquidate this particular note's original entry.

Explanation of the Different Books to be Kept

53. Cash Book. This book is divided into two parts, the left side is known as the **Debit** and the right side as the **Credit** side.

All cash coming into your business is a **Result** and must be debited. This cash will therefore, be placed on the **Debit** side of the Cash Book and the name of the person, firm, corporation or thing which performs the service will be placed directly opposite the amount on the same side.

All cash which you pay out performs a **Service** and must be credited. This cash will therefore, be placed on the **Credit** side of the Cash Book and the name of the person, firm, corporation or thing, which is the result, will be placed directly opposite the amount on the same side.

It will readily be seen that, under ordinary conditions, the debit side will be larger than the credit side or equal to the credit side. It would be impossible to pay out more money (**credit side**) than you have received (**debit side**). An exception to the above would be in the case of an overdraft.

The difference between the **Debit** and **Credit** sides of the Cash Book will show the cash on hand or **Cash Balance**. This cash balance must always equal the amount of cash in your cash drawer plus the amount of cash left in bank, as shown on stub of your check book. The cash balance should be found at the end of each day. The cash book need not be ruled until the end of the month. **For illustration of cash book showing entries see illustration No. 50.**

Illustration No. 50.

CASH — DEBIT SIDE

	19-	L. F.						
Sept.	1	1	Your Name	Invested	5000			
	5	6	A. C. Gregg	Inv. 9/3/19-	18	16		
	6	7	Stough & Musser	" 9/3/19-	6	18		
	6	13	Mdse. Discount	O. T. House 9/2/19-	3	69		
	6	6	D. Barrett	Inv. 9/3/19-	21	54		
	6	7	Edw. T. Lippy	" 9/3/19-	21		5070	57
							5070	57
Sept.	8		Cash balance				4514	84

CASH — CREDIT SIDE

	19-	L. F.						
Sept.	2	2	R. U. Wise	Inv. 9/2/19- 3 months' rent of storeroom	42	75		
"	4	12	Expense		75			
"	4	12	Office Furn. & Fixt.		58	50		
"	4	13	Frt. Express & Draying		9	27		
"	5	13	Mdse. Discount	C. G. G. Inv. 9/3/19-		36		
"	6	2	O. T. House	Inv. 9/2/19-	369			
"	6	13	Mdse. Discount	D. B. Inv. 9/3/19-		43		
"	6	13	Mdse. Discount	E. T. L. " 9/3/19-		42	555	73
"	6		Cash balance				4514	84
							5070	57

54. Exercises for making entries into the cash book.

Instructions:—Obtain a number of sheets of **Journal** paper. Use the two inside pages of one sheet for a cash book. The left-hand page will be the **Debit** side and the right-hand page will be the **Credit** side.

Note:—Journal and ledger paper is very cheap, but if you do not care to invest in it you may draw a form of the cash book on blank paper using one of the illustrations as a model.

May 1, 1915. A. B. Fowler pays you his bill in full to date $468.20.

May 2, 1915. C. H. Carroll pays you his bill of April 20, 1915 for $268.75.

May 3, 1915. You have in your possession a note for $721.80 which is due today. You collect the amount.

May 5, 1915. A. R. Free pays you his account in full to date $209.70.

May 7, 1915. D. B. Hill pays you his bill of May 1, 1915 for $176.00.

May 8, 1915. Dean & Co. give you $925.00 in part payment of their account.

May 9, 1915. P. M. Trainer gives you $260.00 in part payment of his account.

May 2, 1915. You pay for stamps, etc. $10.00.

Note:—See paragraph 11 before making this entry.

May 2, 1915. You give M. A. Ellis $210.00 in payment of your invoice of May 4, 1915.

May 4, 1915. You give to A. M. Dennis $295.00 in part payment of your account.

May 6, 1915. You give to L. C. Merrit $644.00 in payment of your account to date.

May 7, 1915. You pay your note, which is due today, for $420.00.

May 9, 1915. You pay $13.00 freight on goods which you purchased sometime ago.

Note:—Call this account **Freight**. When you make the entry for the $13.00, in the cash book, place the word **Freight** directly opposite the amount.

Find the cash balance and rule the cash book as per illustration No. 50.

55. Additional entries for the cash book.

May 12, 1915. John Grover pays you his bill in full to date $110.50.

May 12, 1915. Wm. Jones pays you his bill of $463.18 and you allow him a 2 per cent. discount. **See paragraph 25.**

May 13, 1915. Edward Green pays you his bill of $1219.15 and you allow him a 5 per cent. discount.

May 14, 1915. You have in your possession a note dated April 14, 1915, for $400.00. This note is given for 60 days. You discount the note today.

May 15, 1915. You have in your possession a note dated March 26, 1915 for $318.45. This note is given for 120 days and is interest bearing at the rate of 6 per cent. You discount it today.

May 12, 1915. You owe Edward Marks $43.17. You pay him this amount.

May 13, 1915. You owe John Wise $392.16. You pay him this amount and he allows you a 3 per cent. discount.

May 14, 1915. You owe James Marsh $463.00. You pay him this amount and he allows you a 2 per cent. discount.

May 15, 1915. You discount your note which you issued for $375.25 for 30 days. This note is dated May 11, 1915.

May 16, 1915. You discount your note which you issued for $416.19 for 90 days. This note is interest bearing at the rate of 6 per cent., and is dated April 23, 1915.

Note:—If in doubt as to the application of the rule for these transactions or as to the disposition of the items in cash book, refer to the paragraph in which they are fully explained and illustrated.

Find the cash balance and rule the cash book as per illustration No. 50.

56. Purchase Book. In this book is kept the amount of merchandise purchased, for the purpose of selling, together with any merchandise invested in the business by the proprietor or proprietors. Directly opposite the amount is placed the name of the person, firm or corporation from whom the merchandise has been purchased. The term of purchase is indicated after the name of the person, firm or corporation. This book is ruled only at the end of the month.

Note:—The different items of merchandise which have been purchased do not appear in the **Purchase Book**, as they may be readily obtained from the invoices which you are supposed to keep filed.

For illustration of Purchase Book showing entries see illustration No. 51.

Illustration No. 51.

PURCHASE BOOK

	19-	L. F.					
Sept.	1	1	A. R. Black, 45 Market St. York, Pa.				
			Terms 2/10 - net 30		43 81		
"	2	2	R. V. Wise, 16 A St. N. E. Washington, D. C. Terms cash		42 75		
"	2	1	S. G. Cella, 2 Richland Ave. York, Pa.				
			Terms note at 30 days		35 75		
"	2	2	O. T. House, 120 Philadelphia St.				
			New Oxford, Pa. Terms 1/10 - net 60		369		
"	2	2	W. Wright & Co., Hanover, Pa.				
			Terms 2/15 - net 30.		198 15		
"	2	3	A. J. Lynn, La Botte, Pa.				
			Terms 3/10 - net 30.		112 50	801	96
						801	96

57. Exercises for making entries into the Purchase Book.

Instructions:—Use one side of a sheet of **Journal** paper or rule a blank paper similar to the rulings shown in illustration No. 51.

May 5, 1915. You buy from John Smith merchandise $376.18. Terms on account.

May 5, 1915. You buy from William Jones merchandise $264.19. Terms note 60 days.

May 6, 1915. You buy from Carl Bates & Co. merchandise $264.87. Terms note 90 days.

May 7, 1915. You buy from William Hecker merchandise $199.20. Terms cash.

May 8, 1915. You buy from R. Rodgers merchandise $200.00. Terms 2 per cent. 10 days.

May 8, 1915. You buy from William Watson merchandise $500.00. Terms 2 per cent. 10 days, net 60 days.

Note:—"Terms cash" simply means that cash will be paid for the goods in a few days, probably as long as from 10 to 30 days. "Spot cash" means that cash is paid just as soon as the goods are bought.

58. Sales Book. In this book is kept the amount of each sale of merchandise. Directly opposite the amount is placed the name of the person, firm or corporation to whom the merchandise has been sold. The terms of sale are indicated after the name of the person, firm or corporation. This book is ruled only at the end of the month.

Note:—The different items of merchandise sold should be placed into the **Sales Book.**

For illustration of Sales Book showing entries see illustration No. 52.

Illustration No. 52.

SALES BOOK

	19-	L. F.						
Sept	3	6	A. C. Gregg, 240 Market St. York, Pa.					
			Terms 2/10 - net 30.					
			8 doz. #1 Eggs	@ 25¢	2			
			12 " #2 "	@ 18¢	2	16		
			50 # C. Butter	@ 28¢	14		18	16
"	3	7	James Kecker, 382 Market St., Lancaster, Pa. Terms draft at 20 days					
			60 # C. Butter	@ 28¢	16	80		
			112 doz. #1 Eggs	@ 25¢	28			
			72 " #2 "	@ 19¢	13	68		
			30 bu. Old Potatoes	@ 88¼¢	26	48		
			22 " New "	@ 1.14¾	25	25		
			15 pairs #1 Squabs	@ 63¢	9	45		
			7 " #2 "	@ 48¢	3	36		
			5 bunches Bananas	@ 1.65	8	25		
			1 box Oranges	@ 3.12	3	12		
			8 Grape Fruit	@ 13⅓¢	1	07	135	46
"	3	7	Stough & Musser, Front St. Harrisburg, Pa. Terms cash.					
			2 boxes Oranges	@ 3.09	6	18	6	18
"	3	6	D. Barrett, 19 King St., Lancaster, Pa.					
			Terms 2/10 - net 30.					
			3 bunches Bananas	@ 1.70	5	10		
			12 Grape Fruit	@ 12¢	1	44		
			5 crates #1 Eggs	@ 3.00	15		21	54
"	3	6	S. B. Wentz, 206 Frederick St., Hanover, Pa. Terms 2/10 - note at 30 days.					
			20 pairs #1 Squabs	@ 60¢	12			
			3 " #2 "	@ 45¢	1	35	13	35
"	3	7	Edw. T. Lippy, 1260 Chestnut St., Philadelphia, Pa. Terms 2/10 - net 30 da.					
			75 # C. Butter	@ 28¢	21		21	
							215	69

59. Exercises for making entries into the Sales Book.

Instructions:—Use one side of a sheet of **Journal** paper or rule a blank paper similar to the rulings shown in illustration No. 52.

May 6, 1915. You sell to B. W. Keene, 200 barrels B. C. Flour at $4.10 per barrel. Terms note at 2 months.

May 7, 1915. You sell to Garland & Co., 100 barrels of S. Flour at $4.00 per barrel, and 300 bushels of Rye at 57c per bushel. Terms on account.

May 8, 1915. You sell to H. Dennis, 50 barrels C. Flour at $4.75 per barrel, and 200 bushels of Rye at 60c per bushel. Terms cash.

May 9, 1915. You sell to A. B. Frey, 50 barrels of D. Flour at $4.60 per barrel, and 300 bushels of Oats at 36c per bushel. Terms note at 20 days.

May 10, 1915. You sell to S. C. Rose, 75 bushels Rye at 57c per bushel. Terms 2 per cent 10 days, net 30 days.

60. Notes Receivable Book. All notes received and all drafts accepted by others in your favor will be placed into this book. **See illustrations Nos. 8, 30, 31.**

61. Notes Payable Book. All notes which you issue and all drafts which you accept will be placed into this book. **See illustrations Nos. 5, 29.**

62. Journal. This book receives only such entries which are excluded from the other books. **See illustrations Nos. 1, 28, 32, 36, 37, 38, 39.**

63. Exercises for entering drafts.

Note:—You will make only such entries which effect your books.

Instructions:—Use page one of a sheet of **Journal** paper for a **Journal**, pages 2 and 3 for a **Cash Book.** You will be able to buy a combination **Notes Receivable** and **Notes Payable Book** for a few cents; if you do not care to make this investment rule on blank paper a **Notes Receivable Book** similar to illustration No. 8 and a **Notes Payable Book** similar to illustration No. 5.

Important. Be sure to draw up forms of these drafts on blank paper, and write the acceptance across the face in red ink where such acceptances are indicated as having been made.

May 6, 1915. William C. Hecker of Pittsburg, Pa., has accepted your draft dated May 5, 1915, at sight, in favor of R. Hoe & Co., for $260.00.

May 7, 1915. Edward E. Wells of Baltimore, Md., has drawn on you a draft dated May 5, 1915, at sight, in favor of James Gordan & Co., for $450.00.

Note:—While a sight draft does not necessarily have to be accepted, you will accept this one.

May 8, 1915. You have received a sight draft drawn by A. Wharton & Co., of Boyton, N. J., on Samuel Nester, of York, Pa., in favor of Yourself. The draft is dated May 6, 1915, and is for $175.00.

May 9, 1915. You draw a sight draft on Alvin Nolles, of Bayonne, N. J., in favor of Yourself, for $400.00. The draft is dated May 7, 1915.

May 10, 1915. H. B. Calvin, of Orange, N. J., draws a sight draft on you in favor of himself for $150.00. The draft is dated May 8, 1915.

Note:—You will accept this draft.

May 12, 1915. You owe D. P. Dalton $420.00 and in payment you give him a draft drawn on H. C. Shultz, Harrisburg, Pa., at 10 days after date. Shultz accepts the draft. It is dated May 10, 1915.

May 13, 1915. E. D. Monroe, Wrightsville, Pa., draws a draft on you at 30 days after date. The draft is in favor of Simpson Bros. You accept the draft which is for $650.00. It is dated May 12, 1915.

May 13, 1915. You receive from C. P. Roe, York Haven, Pa., a draft dated May 12, 1915, at 20 days after date. The draft is drawn on John Kirk, Syracuse, N. Y., who has accepted it.

May 14, 1915. James Donlay draws a draft on you in favor of himself at 30 days sight for $200.00. The draft is dated May 13, 1915. You accept the draft May 14, 1915.

May 15, 1915. You draw a draft on B. A. Wells, Passaic, N. J., for $150.00. The draft is drawn for 20 days sight. It is in favor of Yourself and is dated May 14, 1915.

May 16, 1915. You owe James Martin on account. You give him the draft of B. A. Wells. (This draft was drawn by you on Wells May 15, 1915). Martin gives you credit for the face value of the draft.

Note:—When Wells accepted this draft it became a **Note Receivable** to you. When you give it to Martin **Remember that it still remains a Note Receivable to you.**

Work for the Student

64. Instructions:—Provide yourself with six sheets of **Journal** paper. Place them inside of each other so that they will resemble a book. Beginning with the outside page, number them consecutively from one up to twelve. At the top of page one write **Journal**; page two, **Cash**; page three, **Cash**; pages four, five and six, **Purchase Book**; pages seven, eight and nine **Sales Book.**

Where the single column appears on the left of each page you will draw another line beside it at the right thus forming another column. Use red ink in making this line. For a very few cents you will be able to purchase a combination **Notes Receivable** and **Notes Payable book.** If this investment is not desired, you will rule a **Notes Receivable Book** as per illustration No. 8 making about ten cross lines. You will also rule a **Notes Payable Book** as per illustration No. 29, making about ten cross lines. Provide yourself with a check book. Provide yourself with seven sheets of **Ledger** paper. Place them inside of each other so that they will resemble a book. Beginning with the outside page, number them consecutively from one up to fourteen.

September 1, 19—

65. You begin business today. The kind in which you will engage is the **Produce business.** You will handle such goods as eggs, butter, fruits, poultry, etc. You will keep your own books. You invest in this business the following:—Cash $5000; Real Estate $3000; Horse and Wagon $400. **See paragraph 13 and illustration No. 1.**

Note:—The $5000 are already in the **Student's Bank.** The **Receiving Teller has entered** this amount in your **Bank Pass Book. See illustration No. 53.** You will place the $5000 on the stub of your Check Book. **See illustration No. 54.**

Illustration No. 53.

BANK PASS BOOK

BANK IN ACCOUNT WITH *Your Name*

DEPOSITS				CHECKS					
19-									
Aug 2	Dep	110	12						
" 4	"	75	16						
" 8	"	216	12						
" 10	"	27	18						
" 14	"	112							
" 15	"	73	91						
" 17	"	29	56						
" 22	"	316	13						

Illustration No. 54.

CHECK BOOK STUB

DEPOSIT Sept 5, 19		521	16
NO. 1			
DATE Sept 8 19			
FAVOR OF R. T. Clause			
FOR Inv 8/26/19-			
AMOUNT OF BILL	$200 25		
DISCOUNT 2 %	$ 4 00		
AMOUNT OF CHECK	$196 25	196	25
		324	91

66. **You** buy from A. R. Black, 45 Market St., York, Pa., the following merchandise:—1 tub C. Butter 100 lb. @ 30c; 1 crate No. 1 Eggs, 12 doz. @ 40c; 1 crate No. 2 Eggs, 12 doz. @ 23c; 1 tub R. Lard 50 lb. @ 12½c. Terms 2/10—net 30.

Note:—The symbol (#) placed after a number indicates pounds. Placed before a number, it indicates number. Terms 2/10—net 30 means 2 per cent. discount if paid within 10 days or the full amount if not paid until after 10 days but within 30 days.

See paragraph 14 and illustration No. 2.

September 2, 19—

67. **You** buy from R. U. Wise, 16 A Street, N. E., Washington, D. C., the following merchandise:—75 pairs # 1 Squabs @ 45c; 30 pairs # 2 Squabs @ 30c. Terms cash. **See paragraph 47.**

You buy from S. G. Cella, 2 Richland Ave., York, Pa.,— 15 bunches Bananas @ $1.40; 5 boxes Oranges @ $2.10; 1 box Grape Fruit @ $4.25. Terms note.

You buy from O. T. House, 120 Philadelphia St., New Oxford, Pa.:—150 crates # 1 Eggs @ 20½c. Terms 1/10—net 60.

You buy from W. Wright & Co., Hanover, Pa.:—120 bu. New Potatoes @ $1.10; 90 bu. Old Potatoes @ 73½c. Terms 2/15—net 30.

You buy from A. J. Lynn, La Bott, Pa.:—30 crates # 2 Eggs, 12 doz. @ 13¼c; 3 tubs C. Butter 360# @ 18c. Terms 3/ 10—net 30.

68. **You** will make out a check in favor of R. U. Wise, for his invoice of September 2, 1915. Deduct this amount from the stub of the check book. **See illustration No. 54.** Make an entry for this transaction from the **Check Book Stub** into the **Cash Book. See paragraph 20 and illustration No. 9. Do not forget to deduct this amount on the stub of the Check Book.**

September 3, 19—

69. **You** sell to A. C. Gregg, 240 Market St., York, Pa., the following merchandise:—8 doz. # 1 Eggs @ 25c; 12 doz. # 2 Eggs @ 18c; 50# C. Butter @ 28c. Terms 2/10—net 30. **See paragraph 17 and illustration No. 6.**

70. **You** sell to James Hecker, 382 Market St., Lancaster, Pa.:— 60 # C. Butter @ 28c; 112 doz. # 1 Eggs @ 25c; 72 doz. # 2 Eggs @ 19c; 30 bu. Old Potatoes @ 88¼c; 22 bu. New Potatoes @ $1.14¾c; 15 pairs # 1 Squabs @ 63c; 7 pairs # 2 Squabs @ 48c; 5 bunches Bananas @ $1.65; 1 box Oranges @ $3.12; 8 Grape Fruits @ 13 1-3c. Terms draft at 20 days after date.

You sell to Stough & Musser, Front St., Harrisburg, Pa.:—2 boxes Oranges @ $3.09. Terms cash.

You sell to D. Barrett, 19 King St., Lancaster St., Lancaster, Pa.:— 3 bunches Bananas @ $1.70; 12 Grape Fruit @ 12c; 5 crates # 1 Eggs @ $3.00. Terms 2/10—net 30.

You sell to S. B. Wentz, 206 Frederick St., Hanover, Pa.:—20 pairs # 1 Squabs @ 60c; 3 pairs # 2 Squabs @ 45c. Terms 2/10—note 30.

You sell to Edw. T. Lippy, 1260 Chestnut St., Philadelphia, Pa.:—75 # C. Butter @ 28c. Terms 2/10—net 30.

71. **You** give to S. D. Cella your note in payment of the invoice of goods purchased from him September 2, 19—. Your note is dated September 3, 19—, and is given at 30 days. **For form of note see illustration No. 4.**

Explanation:—In this case **Note Payable** performs the service in that it liquidates your indebtedness to S. D. Cella, therefore the liquidation of S. D. Cella's account is the result. According to the rule the service is credited. Since the service is credited and since Note Payable has performed the service, it must follow that **Note Payable must be credited.** Again, according to the rule, the result is debited. Since the result is debited and since the liquidation of Cella's account is the result, it must follow that **S. D. Cella's** account must be debited.

Note:—It will be noticed that in this case the personal account is kept. While in the case cited in paragraph 16 the personal account is not kept. **No other entry is required for this transaction except one in the Note Payable Book for the note. See illustration No. 5.**

September 4, 19—

72. **You** will make out a check for $75 to cover three month's rent. This rent is in advance, and is on the building in which you are carrying on the **Produce Business.**

Make out this check to Joseph Jenkins.

Note:—In applying the rule and making the entry, you will have nothing to do with Joseph Jenkins, as you do not wish to keep an account with him.

Read paragraph 11-c, also note concerning Expense and Example of Subdivided Expense Account. Read paragraph 31. For entry see illustration No. 25. Remember this item could be called Rent as it is a subheading of Expense. Do not forget to deduct this amount on the stub of the check book.

73. **Important.** All entries into the cash book, for cash paid out by check, are made from the stubs of the check book. Each check issued is deducted from the balance of cash as shown on the check book stub.

74. **You** will make a check for the following items which you bought today:—1 Desk $40; 3 Chairs $8.50; 1 Clock $5.00; 1 set Files $5.00.

Make out this check to Wm. Dougherty.

Note:—In applying the rule and making the entry, you will have nothing to do with Wm. Dougherty, as you do not wish to keep an account with him.

Note:—These items will be known as **Furniture and Fixtures** which is a subheading of **Expense. Remember** in applying the rule, to say that **Furniture and Fixtures** is the result instead of **Expense.**

This transaction necessitates the writing of a check and making an entry into the Cash Book. Be sure to place this transaction on the proper side of the Cash Book. See illustration No. 25.

75. **You** will issue a check for the freight and drayage on the Desk, Chairs, etc. The amount of this check is $9.27.

(a) **Note:**—This item will be known as **Freight and Drayage** which is a subheading of **Expense.**

Remember in applying the rule, to say that **Freight and Drayage** is the result instead of **Expense.**

Make out this check to The Hutton Transfer Co.

(b) **Note:**—In applying the rule and making the entry, you will have nothing to do with The Hutton Transfer Co., as you do not wish to keep an account with them.

September 5, 19—

76. **You** receive from C. A. Gregg a check in payment of the merchandise sold him September 3, 19—.

Read paragraph 25. See illustration Nos. 15-16. Be sure to read Definition for Merchandise Discount in paragraph 24.

September 6, 19—

77. **You** receive from Stough and Musser a check in payment of the merchandise sold them September 3, 19—.

78. **You** will issue a check to O. T. House in payment of the merchandise bought from him September 2, 19—. **Read paragraph 24. See illustrations Nos. 13-14.**

79. **You** receive from Samuel B. Wentz his note to cover the amount of the merchandise which you sold him September 3, 19—. The note is dated September 4, 19—, and is issued at thirty days. **For form of note see illustration No. 4.**

Explanation:—In this case Samuel B. Wentz performs the service in that he brings into my business a Note Receivable, therefore Note Receivable is the result. According to the rule the service is credited. Since the service is credited and since Samuel B. Wentz has performed the service, it must follow that **Samuel B. Wentz** must be credited. Again according to the rule, the result is debited. Since the result is debited and since Note Receivable is the result, it must follow that **Note Receivable** must be debited.

Note:—It will be noticed that in this case the personal account is kept. While in the case cited in paragraph 19 the personal account is not kept. **No other entry is required for this transaction except one in the Note Receivable Book for the note. See illustration No. 8a.**

80. **You** receive from Edw. T. Lippy a check in payment of the merchandise sold him September 3, 19—.

Do not forget the Merchandise Discount.

You receive from D. Barrett a check in payment of the merchandise sold him September 3, 19—.

Do not forget the Merchandise Discount.

Note:—Whenever you receive a check for merchandise sold, always refer to the **Sales Book** in order to ascertain the terms of the sale for which the money is received. Compute the amount of **Merchandise Discount** (if any), deduct this amount from the gross amount of the bill as shown in the **Sales Book.** Compare this result with the amount of the check.

81. **You** will draw (make out) a draft for the merchandise sold to James Hecker on September 3, 19—. Use the following data in making out this draft: Twenty days after date (see terms); payable to the order of **Myself** (payee); amount same as given in **Sales Book;** drawer (your name); drawee James Hecker.

Be sure to refer to illustration No. 27b before you draw this draft.

Note:—No entry will be made for this draft at this time, except a memorandum in the Journal showing that the draft was drawn. This memorandum is never "Posted." The amount is not extended into the money column. See illustration No. 61.

Important. No entry should be made by any party to a time draft except a memorandum by the **Drawer,** until the instrument is accepted, which makes it a note, and then an entry should be made by each party. In the case of a sight draft, only the memorandum

will be made by the **Drawer,** until the instrument is "honored" (paid) by the **Drawee,** at which time an entry should be made by each party.

Remember:—The sight draft need not be accepted.

82. **You** receive from D. Barrett a check in payment of the merchandise sold him September 3, 19—.

Do not forget to deduct the Merchandise Discount.

Proceed as in paragraph 76.

83. **You** will now deposit all cash on hand, that is you will put it into the **Student's Bank** where you have already deposited $5000. Rule a deposit slip similar to illustration No. 55. Following are the checks which you have received: C. A. Gregg, $17.80; Stough and Musser, $6.18; Edw. T. Lippy, $20.58; D. Barrett, $21.11. Total checks, $65.67.

Important. In actual business, these checks would be endorsed by you by writing your name across the back of each. **See illustration No. 43.** You would then take these checks and the deposit slip together with your **Bank Pass Book** to the bank where the **Receiving Teller** would take the deposit and place the amount of it in the **Pass Book,** returning the **Bank Pass Book** to you again. **For illustration of Bank Pass Book and entry made in it by Receiving Teller see illustration No. 53.** From the **Bank Pass Book** you would make an entry of the deposit to the stub of your check book, adding the amount to the bank balance.

For illustration showing the deposit entered on stub of check book and added to bank balance see illustration No. 54.

You will now enter the amount of your deposit ($65.67) on the stub of your check book and add it to your bank balance.

Illustration No. 55.

DEPOSIT SLIP

DEPOSITED
IN
STUDENT'S BANK

BY *Your Name*

McKEESPORT, PA. *Aug 5, 19-*

	DOLLARS	CENTS	
CURRENCY	216	18	
CHECKS *Hanover, Pa.*	27	19	
" *York, Pa.*	92	25	
" *Melrose, Md.*	36	18	
"	371	80	
"			
"			
"			

84. **You** will now balance, rule and prove the **Cash Book.** Find the sum of the figures on the debit side and the credit side. Subtract the sum of the figures on the credit side from the sum of the figures on the debit side. The result of this subtraction will equal the **Cash on Hand** or the **Balance.**

Be sure to read paragraph 53.

Proof of Cash Balance:—Find the balance of cash in bank (check book balance). Add to this amount all cash not deposited (up to this point all cash has been deposited). The sum of these items should equal the **Cash on Hand** or **Balance** of the **Cash Book.**

If your cash book is correct, it will be the same as **illustration No. 56. Illustration No. 56** will also show the rulings.

Note:—All rulings are generally made in red ink.

Illustration No. 56.

CASH — DEBIT SIDE

19-		L. F						
Sept	1	1	Your Name	Invested	5000			
	5	6	A. C. Gregg	Inv. 9/3/19-	18	16		
	6	7	Stough & Musser	" 9/3/19-	6	18		
	6	13	Mdse. Discount	O. T. House 9/2/19-	3	69		
	6	6	D. Barrett	Inv. 9/3/19-	21	54		
	6	7	Edw. T. Leppy	" 9/3/19-	21		5070	57
							5070	57
Sept	8		Cash balance				4514	84

CASH — CREDIT SIDE

19-		L. F.						
Sept	2	2	R. U. Wise	Inv. 9/2/19- 3 months rent of storeroom	42	75		
"	4	12	Expense		75			
"	4	12	Office Furn. & Fixt.		58	50		
"	4	13	Frt. Express & Dray		9	27		
"	5	13	Mdse. Discount	C. A. G. Inv. 9/3/19-		36		
"	6	2	O. T. House	Inv. 9/2/19-	369			
"	6	13	Mdse. Discount	D. B. Inv. 9/3/19-		43		
"	6	13	Mdse. Discount	E. T. L. " 9/3/19-		42	555	73
"	6		Cash balance				4514	84
							5070	57

85. If your check book is correct it will contain the following:—Deposits $5000 and $65.67. Checks issued:—R. U. Wise $42.75, Expense (Rent paid to Joseph Jenkins) $75.00, Furniture and Fixtures (Wm. Dougherty) $58.50, Freight and Drayage (The Hutton Transfer Co.) $9.27, O. T. House $365.31. The check book balance should be $4514.84.

86. If your **Purchase Book** is correct it will be the same as **illustration No. 57. Illustration No. 57** will also show the rulings.

Illustration No. 57.

PURCHASE BOOK

	19–	L. F.					
Sept	1	1	A. R. Black, 45 Market St. York, Pa. Terms 2/10 – net 30	43	81		
"	2	2	R. V. Wise, 16 A St. N. E. Washington, D. C. Terms cash	42	75		
"	2	1	S. G. Cella, 2 Richland Ave. York, Pa. Terms note at 30 days	35	75		
"	2	2	O. T. House, 120 Philadelphia St. New Oxford, Pa. Terms 1/10 – net 60	369			
"	2	2	W. Wright & Co. Hanover Pa. Terms 2/15 – net 30.	198	15		
"	2	3	A. J. Lynn, La Bott Pa. Terms 3/10 – net 30.	112	50	801	96
						801	96

If your **Sales Book** is correct it will be the same as **illustration No. 58. Illustration No. 58** will also show the rulings.

Illustration No. 58.

SALES BOOK

	19-	L. F.						
Sept	3	6	A.C. Gregg, 240 Market St. York, Pa.					
			Terms 2/10 - net 30.					
			8 doz. #1 Eggs	@ 25¢	2			
			12 " #2 "	@ 18¢	2	16		
			50 # C. Butter	@ 28¢	14		18	16
"	3	7	James Necker, 382 Market St., Lancaster, Pa. Terms draft at 20 das					
			60 # C. Butter	@ 28¢	16	80		
			112 doz. #1 Eggs	@ 25¢	28			
			72 " #2 "	@ 19¢	13	68		
			30 bu. Old Potatoes	@ 88¼¢	26	48		
			22 " New "	@ 1.14¾	25	25		
			15 pairs #1 Squabs	@ 63¢	9	45		
			7 " #2 "	@ 48¢	3	36		
			5 bunches Bananas	@ 1.65	8	25		
			1 box Oranges	@ 3.12	3	12		
			8 Grape Fruit	@ 13⅓¢	1	07	135	46
"	3	7	Stough & Musser, Front St. Harrisburg, Pa. Terms cash.					
			2 boxes Oranges	@ 3.09	6	18	6	18
"	3	6	D. Barrett, 19 King St., Lancaster, Pa.					
			Terms 2/10 - net 30.					
			3 bunches Bananas	@ 1.70	5	10		
			12 Grape Fruit	@ 12¢	1	44		
			5 crates #1 Eggs	@ 3.00	15		21	54
"	3	6	S.B. Wentz, 206 Frederick St., Hanover, Pa. Terms 2/10 - note at 30 days.					
			20 pairs #1 Squabs	@ 60¢	12			
			3 " #2 "	@ 45¢	1	35	13	35
"	3	7	Edw. T. Lippy, 1260 Chestnut St., Philadelphia, Pa. Terms 2/10 - net 30 da.					
			75 # C. Butter	@ 28¢	21		21	
							215	69

If your **Notes Payable Book** is correct it will be the same as **illustration No. 59.**

Illustration No. 59.

NOTES

NO.	WHEN GIVEN		DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT GIVEN	WHERE PAYABLE
		19-					
1	Sept	3		S. D. Cella	Your Name	Smr 9/2/19-	Students' Bk

PAYABLE

DATE			TIME	WHEN DUE													L.F.	AMOUNT		DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19	Sept	3	30 days	19-										3			2	35	75			
																	5	35	75			

If your **Notes Receivable Book** is correct it will be the same as **illustration No. 60.**

Illustration No. 60.

NOTES

NO.	WHEN RECEIVED		DRAWER (DRAFT) OR ENDORSER (NOTE)	IN WHOSE FAVOR (PAYEE)	DRAWEE (DRAFT) OR MAKER (NOTE)	FOR WHAT RECEIVED	WHERE PAYABLE
		19-					
15	Sept	6		Your Name	Samil B. Wentz	Smr 9/3/19-	Hanover Natl. Bk

RECEIVABLE

DATE			TIME	WHEN DUE													L.F.	AMOUNT		DISPOSITION		
YEAR	MONTH	DAY		YEAR	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.				AMOUNT	DATE	REMARKS
19-	Sept.	4	30 days											4			2	13	35			
																	6	13	35			

If your **Journal** is correct it will be the same as **illustration No. 61.**

Illustration No. 61.

JOURNAL

	19-	L.F.					
Sept.	1	11	Real Estate	Invested	3000		
		11	Horse & Wagon	"	400		
		1	Your Name				3400

JOURNAL

	19–	L. F.					
Sept	1	11	Real Estate	Invested	3000		
		1	Your Name				3000
"	1	11	Horse & Wagon	Invested	400		
		1	Your Name				400

Note:—The Journal may be kept in either of the two ways shown here.

87. **Definition of Posting:**—Transferring all items from the original books of entry (**Journal, Purchase Book, Sales Book, and Cash Book**) to their respective accounts in the **Ledger. For definition of account read paragraph 10.**

Remember that all items which are debited in the original books of entry, are debited in their respective accounts in the **Ledger,** and that all items which are credited in the original books of entry are credited in their respective accounts in the **Ledger.**

Important. The left-hand side of an account is the **Debit** side, and the right-hand side is the **Credit.**

88. **Definition of Ledger:**—The **Ledger** is the **Final Book of Accounts.** In it are grouped, under their appropriate titles, all of the debit and credit items from the original books of entry. **See illustration No. 62 for Ledger Account.**

Illustration No. 62.

Ledger Account

Debit side								Credit side							
1915								19–							
May 2			2		2	3	6	24	May 22			5		1	1	8	12
Name of month	Day of month	Remarks	Folio column		Dollar column			Cent column	Name of month	Day of month	Remarks	Folio column		Dollar column			Cent column

89. **Journal Postings.** Turn to the first transaction in the **Journal.** Write the words **Real Estate** in the **Ledger.** See illustration No. 63. In the **Date** columns of the **Ledger** account, on the debit side, write Sept. 1, 19—. **(See illustration No. 63.)** (This is the date of the transaction as it appears in the **Journal**). In the **Folio** column **(see illustration No. 62)** in the **Ledger** account, write the number of the **Journal** page from which the item is taken. Place the amount ($3000) in the **Debit** money column of the **Ledger account. (See**

illustration No. 63.) In the **Folio** column of the **Journal** place the number of the **Ledger** page on which you have put the **Real Estate** account. **(See illustration No. 61.)** About eight lines below the **Real Estate** account, write your name. **(See illustration No. 64.)** In the **Date** columns of the **Ledger** account, on the credit side write Sept. 1, 19—. **(See illustration No. 64.)** (This is the date of the transaction as it appears in the **Journal**.) In the **Folio** column **(see illustration No. 62)**, in the **Ledger** account, write the number of the **Journal** page from which the item is taken. **(See illustration No. 64.)** Place the amount ($3000) in the **Credit** money column of the **Ledger** account. **(See illustration No. 64.)** In the **Folio** column of the **Journal** place the number of the **Ledger** page on which you have put your account. **(See illustration No. 61.)**

Illustration No. 63.

Real Estate

| | | |

Illustration No. 66.

Merchandise

19-									19-								
Sept	6	Purchase Book	4			8	0	1	96	Sept	6	Sales Book	6			2	1	5	69

91. **Sales Book Postings.** Turn to the first invoice of merchandise sold. Write the name of C. A. Gregg together with his address in the **Ledger.** **(See illustration No. 67.)** On the debit side of the **Ledger** account, in the **Date** columns, write Sept. 3, 19—. **(See illustration No. 67.)** (This is the date of the transaction as it appears in the **Sales Book.**) In the **Folio** column **(see illustration No. 62)** in the **Ledger** account, write the number of the **Sales Book** page from which the item is taken. **(See illustration No. 67.)** Place the amount ($18.16) in the **Debit** money column of the **Ledger** account. **(See illustration No. 67.)** In the **Folio** column of the **Sales Book** place the number of the **Ledger** page on which you have put C. A. Gregg's account. **(See illustration No. 58.)**

Remember that all **Sales Book** items are posted to their respective **Ledger** accounts in the manner indicated in this paragraph.

You will now post the remaining Sales Book items.

Posting of Total of Sales Book. Find the total of the **Sales Book.** **(See illustration No. 58.)** Post the amount to the credit side of **Merchandise** account in the **Ledger.** **(See illustration No. 66.)**

Illustration No. 67.

C. A. Gregg

19-																			
Sept	3			8				18	16										

92. **Notes Receivable Book Postings.** Turn to the first note which you have received. Write the name of Sam'l B. Wentz in the **Ledger.** **(See illustration No. 68.)** On the credit side of the **Ledger** account, in the **Date** column, write Sept. 6, 19—. **(See illustration No. 68.)** (This is the date of the transaction as it appears in the **Notes Receivable Book,** in the **Date Received** column.) In the **Folio** column **(see illustration No. 62)** in the **Ledger** account, write the number of the **Notes Receivable Book** page from which the item is taken. **(See illustration No. 68.)** Place the amount ($13.35) in the **Credit** money column of the **Ledger** account. **(See illustration No. 68.)** In the **Folio** column of the **Notes Receivable Book** place the number of the **Ledger** page on which you have put Sam'l B. Wentz's account. **(See illustration No. 60.)**

Illustration No. 68.

Samuel B. Wentz

206 Frederick St. Hanover, Pa.

19-																			
Sept	6									3					13	35			

Remember that all **Notes Receivable Book** items are posted to their respective **Ledger** accounts in the manner indicated in this paragraph.

You will now post the remaining Notes Receivable Book items.

Posting of Total of Notes Receivable Book. Find the total of the **Amount** column of the **Notes Receivable Book.** **(See illustration No. 60.)** Post the amount to the debit side of **Notes Receivable** account in the **Ledger.** **(See illustration No. 69.)**

Illustration No. 69.

Notes Receivable

| | | |

stration No. 62) in the **Ledger** account, write the number of the **Cash Book** page from which the item is taken. **(See illustration No. 72.)** Place the amount ($5000) in the **Credit** money column of the **Ledger** account. **(See illustration No. 72.)** In the **Folio** column of the **Cash Book** place the number of the **Ledger** page on which you have put your account. **(See illustration No. 56.)**

Remember that all items appearing on the **Debit** side of the **Cash Book** are posted to their respective **Ledger** accounts in the manner indicated in this paragraph.

Credit or Right Side. Turn to the first item on this side. Write R. U. Wise's name in the **Ledger.** **(See illustration No. 73.)** On the debit side of the **Ledger** account, in the **Date** columns, write Sept. 2, 19—. **(See illustration No. 73.)** (This is the date of the transaction as it appears in the **Cash Book.**) In the **Folio** column **(see illustration No. 62)** in the **Ledger** account, write the number of the **Cash Book** page from which the item is taken. **(See illustration No. 73.)** Place the amount ($42.75) in the **Debit** money column of the **Ledger** account. **(See illustration No. 73.)** In the **Folio** column of the **Cash Book** place the number of the **Ledger** page on which you have put R. U. Wise's account. **(See illustration No. 56.)**

Remember that all items appearing on the **Credit** side of the **Cash Book** are posted to their respective **Ledger** accounts in the manner indicated in this paragraph.

You will now post the remaining Cash Book items.

Illustration No. 72.

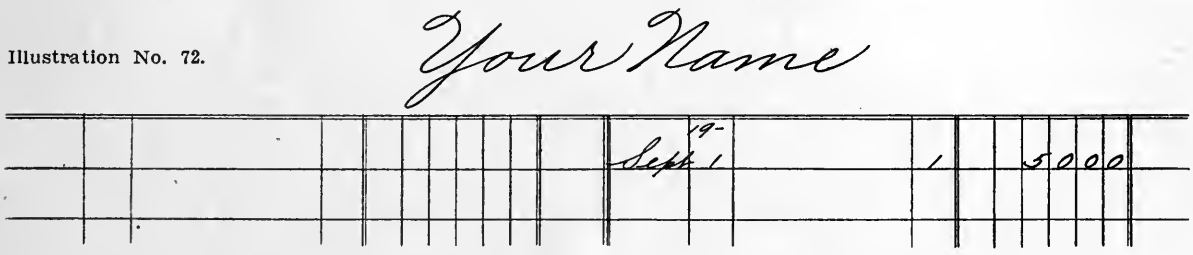
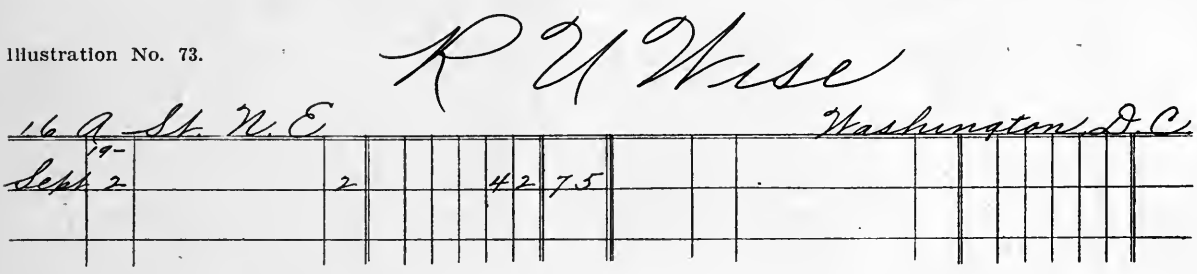


Illustration No. 73.



95. Trial Balance. Every transaction in **Double Entry** bookkeeping has a debit and a credit which must be equal. Since the debit and credit of each transaction are equal, it must follow that the sum of the debits of all transactions must equal the sum of the credits of all transactions. As all debit transactions are posted to the debit side of their respective accounts in the **Ledger** and all credit transactions are posted to the credit side of their respective accounts in the **Ledger,** it must follow that the sum of the debit sides of all accounts in the **Ledger** must equal the sum of the credit sides of all accounts in the **Ledger.**

Since the sum of the debit sides of all accounts equals the sum of the credit sides of all accounts, it must follow that the sum of the differences between the debit and credit side of each account, appearing on the debit side, must equal the sum of the differences between the debit and credit side of each account appearing on the credit side. These differences are carried from their respective accounts in the **Ledger** to the **Trial Balance.** If an account shows a debit difference, it is placed in the debit column of the **Trial Balance,** if a credit difference, it is placed in the credit column.

Since the debit differences of all accounts in the **Ledger** equals the credit differences of all accounts in the **Ledger,** and since these are the same differences which are transferred to the **Trial Balance,** it must follow that the debit and credit columns of the **Trial Balance** must be equal.

Why a Trial Balance is Taken. **A Trial Balance** is taken for the purpose of showing the equality of debits and credits as posted to the different accounts in the **Ledger.** It also serves as initial data for the **Balance Sheet.**

96. **How to Take a Trial Balance.** Turn to your **Ledger.** Write the name of each account that has one side greater than the other. (Debit side greater than the credit, or credit side greater than the debit.) **Write these names on a separate Piece of Journal Paper.**

Note:—Do not put down the name of any account whose debit and credit sides are equal.

For an example we will take the **Merchandise Discount** account. **(See illustration No. 74.)** Total the debit and credit sides of this account in small pencil figures, then place the difference on the larger side, also in small pencil figures. **(See illustration No. 74.)** Transfer this amount to the **Trial Balance** opposite the name **Merchandise Discount** and in the credit or right-hand money column. **(See illustration No. 75.)**

Illustration No. 74.

Merchandise Discount

	19-									19-							
Sept	5		2				36		Sept	6	2 48					3	69
	6		2				43										
	6		2				42										
						1	2 1										

You will now find the differences of the remaining accounts in the same manner and transfer these differences to their proper columns in the **Trial Balance.**

Note:—If your **Trial Balance** has been correctly taken, it will correspond with **illustration No. 75. Rule Trial Balance same as shown in illustration No. 75.**

Illustration No. 75.

TRIAL BALANCE Sept 6, 19-

L. F					
1	R U Huseman			8400	
1	A R Black			43	81
2	W. Knight & Co			198	15
3	A J Lyons			112	50
11	Real Estate	3000			
11	Notes Payable			35	75
11	Horses & Wagon	400			
12	Notes Receivable	148	81		
12	Expense	75			
12	Office Furn & Fixt	58	50		
13	Freight Expressage & Dray	9	27		
13	Mdse Discount			2	48
13	Merchandise	801	96		
C.B.1	Cash	4514	84		
		9008	38	9008	38

Note:—Red ink may be used for all rulings if desired.

Additional Entries

The student should now endeavor to make the following entries, referring to the foregoing explanations and illustrations as little as possible.

Note:—Use the same books for the following entries that you have used for the entries from Sept. 1, 19— to Sept. 6, 19—.

September 8, 19—

97. **You** buy from the Maryland Dairy Co., Baltimore, Md., the following merchandise:—400 # Butter @ 26¼c. Terms cash.

98. **You** will make out a check in favor of Maryland Dairy Co., for their invoice of this date.

99. **You** will make out a check in favor of A. R. Black, for his invoice of Sept. 1, 19—. **Refer to the Purchase Book for the terms.**

100. **You** will make out a check in favor of W. Wright and Co., for $58.00 to apply on their invoice of Sept. 2, 19—.

Note:—As you were to be allowed 2% (% means per cent.) discount, according to the terms of the bill, you will proceed as follows in order to ascertain the amount for which you shall receive credit and the amount of the merchandise discount.

If you are allowed 2% discount, the amount that you pay represents 98%. The actual amount that you pay is $58.00, therefore the 98% equals the $58.00. Since you are to receive credit for 100%, and since 98% represents or is equal to $58.00, the actual amount for which you will receive credit will be $58.00 divided by 98% or $59.18. Therefore $59.18 equals 100%. Since you are credited with $59.18 and only pay $58.00, the difference or $1.18 is the merchandise discount.

Entry:—In the **Cash Book,** on the right hand side, debit **Wright & Co.** with $59.18. On the left-hand side credit **Merchandise Discount** with $1.18.

101. **You** will make out a check in favor of A. J. Lynn for $84.50 to apply on their invoice of Sept. 2, 19—.

Note:—Proceed as in paragraph 100.

102. **You** receive from James Hecker the draft which you sent him Sept. 6, 19—, for his acceptance. Hecker has accepted it. **Read paragraph 35. For application of the rule, see paragraph 34. For entry see illustration No. 31.**

September 9, 19—

103. **You** buy from S. G. Cella,—7 tubs C. Butter 700 # @ 29½c; 5 crates # 2 Eggs @ 22¾c; 25 pairs # 1 Squabs @ 45¼c. Terms note 10 days.

You buy from Hoyk, Bayrd & Co., Hanover, Pa.,—75 crates # 1 Eggs @ 20c; 100 crates # 2 Eggs @ 17c; 98 bu. Old Potatoes @ 72¼c. Terms 2/10—net 30.

104. **You** buy from R. Hoe, 20 bu. New Potatoes @ $1.09.

Note:—As you will pay cash for this bill and will purchase no other goods from Hoe, do not keep an account with him. **Read paragraph 15. For a similar entry see illustration Nos. 3a and 3b.**

September 10, 19—.

105. **You** discount, today, the note which you received from Samuel B. Wentz. **Add the proceeds ($13.30) on stub of Check Book.**

Note:—Refer to the **Notes Receivable Book** for the data concerning this note. **Read paragraph 27. For entries see illustrations Nos. 19 and 20.**

106. **You** will issue a check for freight and drayage $10.25. Make out this check to the Long Transfer Co. **Read note under paragraph 75.**

107. You will make out a note in favor of S. G. Cella for his invoice of Sept. 9, 19—, Date the note Sept. 9, 19—, and make it for 30 days. **If necessary read paragraph 71 for entry.**

September 11, 19—.

108. You sell to R. A. Cates and Sons, 106 Maine St., McSherrystown, Pa.:— 25 # Lard @ 18c; 75 doz. # 1 Eggs @ 25c; 25 bu. Old Potatoes @ 89c. Terms 3/10.

You sell to H. J. Root, 21 Platt St., Baltimore, Md.:—97 # Butter @ 28c; 240 doz. # 1 Eggs @ 25c; 60 doz. # 2 Eggs @ 19c; 20 bu. Old Potatoes @ 88¼c. Terms ½ cash, ½ note 30 days.

109. You receive from H. J. Root his note to cover ½ of the merchandise which you sold him on this date. The note is dated September 11, 19—, and is issued at thirty days. This note bears interest at the rate of 6%. **If necessary read paragraph 79 for entry.**

110. You receive from H. J. Root, a check in payment of ½ of the merchandise which you sold him on this date. (The amount of the check is $58.11.)

111. You will issue a check in favor of James Klunk for $4.63. This check is in payment of repairs to your delivery wagon.

Note:—This item will be known as **Expense.**

Remember in applying the rule, to say that **Expense** is the result.

Do not keep an account with James Klunk. (See note (b) paragraph 75.)

112. You sell to Adam Gray, 2 bu. Old Potatoes @ 86c, for cash.

Note:—As Gray pays you cash for this bill and will purchase no more goods from you, do not keep an account with him. **Read paragraph 18. For a similar entry see illustration Nos. 7a and 7b.**

September 12, 19—.

113. You have this day purchased from A. R. Brooder the building in which you are doing business, together with the lot, for $3000 to be paid as follows:—cash $1500; note dated September 12, 19— at thirty days for $1500.

(a) You will make out the check for $1500 in favor of A. R. Brooder.

(b) You will issue the note for $1500 in favor of A. R. Brooder. (Use the data given above.)

Note:—**Do not keep an account with Brooder.**

Important. In applying the rule, say that **Real Estate** is the result in both 113a and 113b.

Remember that 113a requires a **Cash Book** entry only, and that 113b requires a **Notes Payable Book** entry only.

Indicate in the Notes Payable Book that the note ($1500) will be posted to the debit of Real Estate account, at the time of posting, instead of Brooder's account as you are not keeping an account with him.

September 13, 19—

114. **Post** all items from the different books to the **Ledger.** (This includes all items from Sept. 8, 19— to Sept. 13, 19—.) **If necessary read paragraphs on Postings.**

115. **Deposit** all cash on hand. **Read paragraph 83.** Following are the checks which you have received: H. J. Root, $58.11; Adam Gray $1.72.

116. **Balance,** rule and prove the **Cash Book. Read paragraph 84.**

Note:—If your **Cash Book** is correct, it will show a **Cash Balance** of $2760.85.

Do not forget to add the Cash Balance of Sept. 6, 19— in with the debit side in order to obtain the Cash Balance of Sept. 13, 19—.

117. If your check book is correct it will contain the following:—Balance Sept. 6, 19—, $4514.84; Proceeds from S. B. Wentz note $13.30; Deposit $59.83. Checks issued:—Maryland Dairy Co., $105.00; A. R. Black, $42.93; W. Wright & Co., $58.01; A. J. Lynn, $84.50; R. Hoe, $21.80; Long Transfer Co., $10.25; James Klunk, $4.63; A. R. Brooder, $1500.

Note:—The **Check Book** balance will be the same as the **Cash Book** balance.

118. If the **Purchase and Sales Books** are correct, they will show the following totals: —Purchase, $791.27; Sales, $161.71.

Note:—There will be no entries in the Journal after Sept. 6, 19—.

The Notes Payable and Notes Receivable Books will show the following totals:—**Notes Payable $1731.46; Notes Receivable $193.56.**

119. You will now take a **Trial Balance.**

Remember that each trial balance takes into consideration every account which has one of its sides greater than the other (those accounts which do not balance), regardless of the fact that a previous trial balance has been taken. In this case, your trial balance will cover every "open" account from Sept. 1, 19— to and including Sept. 13, 19—. **If necessary read paragraph 96.**

120. **Balance Sheet:**—A written statement setting forth the losses, gains, resources, liabilities and, finally, the present worth of any specified business. **See illustration No. 76.**

Note:—The data for a balance sheet consists of the trial balance and any inventories.

Illustration No. 76.

BALANCE SHEET, Sept 13, 19—

L. F	Ledger Account Names	Debit	Credit	Losses	Gains	Resources	Liabilities
	R U Waseman, Prop		8400				
	H Wright & Co		13896				13896
	A J Lynn		2539				2539
	Yoke, Barr & Co		45481				45481
	R A Cates & Sons	4550				4550	
	Real Estate $6300.00	6000			300	6300	
	Notes Payable		176721				176721
	Horse & Wagon $390.00	400		10		390	
	Notes Receivable	19356				19356	
	Expense $55.57	7963		7963			
	Office Fur. & Fixt	5850		293		5557	
	Frt, Express & Draj	1952		1952			
	Mdse. Discount $1309.63		715		715		
	Merchandise	161503	37912		7372	130963	
	Int & Disct	05		05			
	Cash (Bal. on hand)	276085				276085	
		1117264	1117264	11213	38087	110555 11	238637
	Net Gain			26874			
				38087	38087		
	R U Waseman, Prop Inv.						8400
	" " "			Net Gain			26874
	" " "			Res Capl			866874
						110555 11	110555 11

121. **Resource Inventory**:—A notation of any merchandise and other property on hand which has not been sold at the time of making the balance sheet.

Examples of resource inventories are:—Merchandise on hand listed at its cost price; Real Estate listed at its present value; any property on hand, besides that already cited, listed at its present value.

Resource inventories also include such things as unexpired insurance, unpaid rent due the business, etc.

122. **Liability Inventory**:—An amount owed which has not been placed on the books at the time of making a balance sheet.

Examples of liability inventories are:—Interest accrued on notes payable or outstanding accounts, unpaid freight, rent, salaries, insurance, etc. owed by the business.

How to Make Out a Balance Sheet

123. Rule a sheet of blank paper similar to **Illustration No. 76.** Write the names of all accounts, appearing in the last trial balance, on the balance sheet. Write the amounts which represent these accounts in the first two columns, using the first column for the debits and the second column for the credits.

124. **You** will have the following inventories:—Real Estate, $6300; Horse & Wagon, $390; Furniture and Fixtures, $55.57; Merchandise, $1309.63.

Note:—Unless otherwise mentioned, all inventories given will be resource inventories.

Place these inventories to their respective accounts in the balance sheet. They will be written to the left of the first column. Use red ink. **See illustration No. 76.**

125. Real Estate, Horse and Wagon, Expense, Furniture and Fixtures, Freight, Interest, Discount, Merchandise, and similar accounts will show a loss or a gain. We will call all accounts which show a loss or a gain **Working Accounts,** in order to distinguish them from the accounts which do not show a loss or a gain.

126. **How to find the Loss or Gain when a Resource Inventory is given.** Add the inventory to the credit side of the account. If, after making this addition, the credit side is greater than the debit, the difference is a gain. If the credit side is smaller, the difference is a loss.

127. **How to find the Loss or Gain when a Liability Inventory is given.** Add the inventory to the debit side of the account. If, after making this addition, the credit side is greater than the debit, the difference is a gain. If the credit side is smaller, the difference is a loss.

128. **How to find the Loss or Gain when both Resource and Liability inventories are** given. Add the resource inventory to the credit side; add the liability inventory to the debit side. If, after making these additions, the credit side is greater than the debit, the difference is a gain. If the credit side is smaller, the difference is a loss.

129. **How to find the Loss or Gain of a Working Account when no inventory is given.** Add the credit side and the debit side. If the credit side is greater, the difference is a gain. If the credit side is smaller, the difference is a loss.

130. **You** will now proceed to find the losses or gains of the different Working Accounts that appear in your balance sheet. **(See illustration No. 76.)**

Be sure to work out each one of the losses and gains.

131. If the sum of the **Gain** column is greater than the sum of the **Loss** column, the difference is a **Net Gain.** If the **Loss** column is greater the difference is a **Net Loss.**

132. Accounts which do not come under the heading of **Working Accounts** are known as **Financial Accounts.**

A **Financial Account** which does not balance (have its debit side equal to its credit side), will show either a resource or a liability.

133. **A Resource:**—Property of any kind on hand.

Note:—The names of the accounts generally indicate the kinds of property.

Examples:—Cash, Notes Receivable, Personal Accounts due the business. The resource inventories from any accounts are also classified as **Resources.**

134. **A Liability:**—Debts owed by the business.

Examples:—Personal Accounts owed by the business and Notes Payable. The liability inventories from any account are also classified as **Liabilities.**

135. When the debit side of a **Financial Account** is larger than the credit, the difference is a **Resource,** and must be placed in the **Resource** column.

136. When the credit side of a **Financial Account** is larger than the debit, the difference is a **Liability,** and must be placed in the **Liabilities** column.

137. **You** will now extend into the **Resource** and **Liability** columns the different amounts which affect them.

Note:—Be careful to place the amounts directly opposite the accounts which they affect.

138. The proprietor's account is a **Financial Account,** and since the credit side is always greater than the debit, it will show a **Liability.** The balance from the proprietor's account is never extended into the **Liability** column until the **Net Gain or Net Loss** has been ascertained. After this net gain is added to or the net loss subtracted from the proprietor's account, it is placed in the **Liability** column, and represents the **Present Worth** of the business.

After the **Present Worth** has been placed in the **Liability** column, the sum total of this column must equal the sum total of the **Resource** column.

Be sure that your Balance Sheet corresponds in figures and rulings to the Balance Sheet shown in illustration No. 76 as this is taken from your book Sept. 13, 19—.

Closing Accounts in the Ledger

139. **How to close Accounts showing a Loss or a Gain and not having an Inventory.** Find the difference between the two sides and place it on the smaller side in red ink. If the debit side is smaller, place the difference on this side together with the word **Gain. See illustration No. 77a.** If the credit side is smaller, place the difference on this side together with the word **Loss. See illustration No. 77b.** Rule the account in red ink and bring down the totals of the debit and credit sides. These totals will be equal. **See illustrations Nos. 77a and 77b.**

Illustration No. 77a.

Merchandise Discount

19-				19-			
Apr 1		2	1 50	Apr 4		3	2 18
4		5	2 60	6		5	1 94
7		6	1 73	8		6	3 72
12		8	94	9		6	1 80
15		10	1 12	11		6	2 15
30	Gain		5 69	14		7	18
				17		10	59
				22		15	1 02
			13 58				13 58

Illustration No. 77b. **Merchandise Discount**

19-					19-				
May 2		12		3 25	May 2		13		1 01
5		13		1 15	4		14		97
6		13		74	5		14		29
7		14		2 60	8		16		1 13
					12		18		55
					31	Loss			3 79
				7 74					7 74

If the difference is a **Loss,** carry this amount in black ink to the debit side of **Loss and Gain** account which you will create in the **Ledger. See illustration No. 77c.** If the difference is a **Gain,** it should be carried to the credit side of **Loss and Gain** account.

Illustration No. 77c. **Loss & Gain**

19-						
May 31	Mdse. Disch.	2			3 79	
31	Merchandise	4		4 52 28		

140. How to close Accounts showing a Loss or Gain and having an Inventory. If the inventory is a **Resource Inventory,** place it on the credit side in red ink. Find the difference between the two sides and place it on the smaller side in red ink. If the debit side is smaller, place the difference on this side together with the word **Gain. See illustration No. 78a.** If the credit side is smaller, place the difference on this side together with the word **Loss. See illustration No. 78b.** Rule the account in red ink and bring down the totals of the debit and credit sides. These totals will be equal. **See illustrations Nos. 78a and 78b.**

Important. Bring the Inventory below the rulings on the opposite side from that on which it already appears. See illustrations Nos. 78a and 78b.

Illustration No. 78a. **Merchandise**

19-					19-				
May 2		4		1200	May 3		1		328150
8		5		8461 8	8		3		12618
12		9		2689 0	10		4		24 15
24		3		5000	11		8		96
30		2		124	30		12		46 90
31	Gain			1303 80	31	Inventory			526319
				8742 88					8742 88
19-									
June 1	Inventory			526319					

Illustration No. 78b.

Merchandise

	19-									19-								
May	3		2		1	3	4	7	1 8	May	4		3			1	2	0	2 5
	5		5			2	0	0			31		1		2	0	6	4	7 5
	31		9		3	5	4	0	9 0		31	Inventory			2	4	5	0	8 0
											31	Loss				4	5	2	2 8
					5	0	8	8	0 8						5	0	8	8	0 8
June	19- 1	Inventory			2	4	5	0	8 0										

If the difference in the account is a **Loss,** carry this amount in black ink to the debit side of **Loss and Gain** account. **See illustration No. 77c.** If the difference is a **Gain,** it should be carried to the credit side of **Loss and Gain** account.

141. How to close a Financial account which has one side larger than the other. Find the difference between the two sides, and place it on the smaller side, in red ink, together with the word **Balance. See illustration No. 79.** Rule the account in red ink and bring down the totals of the debit and credit sides. These totals will be equal. **See illustration No. 79.**

Important. Bring the Balance below the rulings on the opposite side from that on which it already appears. See illustration No. 79.

Illustration No. 79.

William H. Forney

	19-									19-								
Jan	1		2			1	0	0		Jan	4		1				7	5	
	5		3				2	5			10		7				5	0	7 5
	7		6				9	6	5 0		31	Balance				1	1	7	9 3
	12		4				2	2	1 8										
						2	4	3	6 8							2	4	3	6 8
Feb	19- 1	Balance				1	1	7	9 3										

142. How to close the Loss and Gain account. Find the difference between the two sides and place it on the smaller side in red ink. If the debit side is smaller, place the difference on this side together with the words **Net Gain. See illustration No. 80a.** If the credit side is smaller, place the difference on this side together with the words **Net Loss. See illustration No. 80b.** Rule the account in red ink and bring down the totals of the debit and credit sides. These totals will be equal. **(See illustrations Nos. 80a and 80b.)**

Illustration No. 80a.

Loss & Gain

19-					19-				
May 31	Expense	4	39 15		May 31	Merchandise	3	624 17	
31	Freight	6	26 66		31	Mdse. Disct.	5	27 16	
31	Fire & Tick.	8	12 72		31	Int. & Disct.	7	12 09	
31	Net Gain		584 89						
			663 42					663 42	

Illustration No. 80b.

Loss & Gain

19-					19-				
May 31	Expense	4	39 15		May 31	Merchandise	3	624 17	
31	Freight	6	26 66		31	Mdse. Disct.	5	27 16	
31	Fire & Tick.	8	12 72		31	Int. & Disct.	7	12 09	
31	Horse & Wagon	9	41 18		31	Net Loss		249 41	
31	Real Estate	11	793 12						
			912 83					912 83	

143. How to close the Proprietor's (your name) Account. If the **Loss and Gain** account shows a **Net Gain**, carry this amount from the **Loss and Gain** account into the **Proprietor's (your name)** account and place it on the credit side. **See illustration No. 81a.** Find the difference between the two sides, and place it on the smaller side in red ink. If the debit side is smaller, place the difference on this side together with the words **Present Capital. See illustration No. 81a.**

Illustration No. 81a.

Your Name

19-					19-				
Feb. 12		2	100		Jan. 1		2	4000	
May 31	Present Capl.		7549 39		1		4	1200	
					1		6	1864 50	
					May 31	Net Gain		584 89	
			7649 39					7649 39	
					19- June 1	Present Capl.		7549 39	

Note:—Should the credit side ever be smaller, place the difference on this side together with the words **Net Insolvency.**

If the **Loss and Gain** account shows a **Net Loss,** carry this amount from the **Loss and Gain** account into the **Proprietor's (your name)** account and place it on the debit side. **See illustration No. 81b.**

Illustration No. 81b.

Your Name

19-				19-			
Feb 12		2	100	Jan 1		2	4000
May 31	Net Loss		2491 41	1		4	1200
31	Pres. Capital		6715 09	1		6	1864 50
			7064 50				7064 50
				19- June 1	Pres Capital		6715 09

Find the difference between the two sides, and place it on the smaller side in red ink. If the debit side is smaller, place the difference on this side together with the words **Present Capital. See illustration No. 81b. Read the Note in this paragraph.**

Rule the account in red ink and bring down the totals of the debit and credit sides. These totals will be equal. **See illustration Nos. 81a and 81b.**

144. How to rule accounts having single amounts on each side that are similar and on the same line. See illustration No. 82.

Illustration No. 82.

R. H. Rhule & Co

19-				19-			
Sept 9		5	12546	Sept 18		6	12546

145. How to rule accounts having a number of amounts on one or both of its sides. See illustration No. 83.

Be sure that you have closed every account in the Ledger.

Illustration No. 83.

George P. Johnston

19-				19-			
Sept 1		3	1162	Sept 12		6	138
4		4	50 18	18		6	138
6		6	16 52				
8		6	93 18				
			276				276

Additional Entries

September 16, 19—

146. **You** buy from Philip B. Miller & Co., Littlestown, Pa., the following merchandise:—7 tubs C. Butter, 700 # @ 29½c; 5 crates # 2 Eggs, 12 doz. @ 22¾c; 25 pairs # 1 Squabs @ 45¼c. Terms 1/10—note 30.

You buy from Wm. T. Hummer, Harney, Pa., the following merchandise:—75 crates # 1 Eggs, 12 doz. @ 20c; 100 crates # 2 Eggs, 12 doz. @ 17c; 98 bu. Old Potatoes @ 72¼c. Terms note 30 days.

September 17, 19—.

147. **You** sell to C. A. Gregg, 240 Market St., York, Pa.:—8 doz. # 1 Eggs @ 25c; 12 doz. # 2 Eggs @ 18c; 50 # C. Butter @ 28c. Terms 2/10—net 30.

You sell to Mann & Mann, Cly, Pa.:—14 crates # 2 Eggs @ 18c. Terms 2/10—net 30.

September 18, 19—.

148. **You** buy from W. Wright & Co., Hanover, Pa., the following merchandise:—900 # Lard @ 9 2/3c. Terms cash.

You buy from R. U. Wise, 16 A Street, N. E., Washington, D. C., the following merchandise:—176 bu. Old Potatoes @ 71c; 46 bu. New Potatoes @ 1.07; 72 pairs # 1 Squabs @ 44c; 100 pairs # 2 Squabs @ 33¼c. Terms net 30.

149. **You** will discount, today, the note received Sept. 11, 19—, from H. J. Root. **(See paragraph 109 for data. Be sure to read paragraph 29.**

September 19, 19—.

150. **You** will make out a note in favor of Wm. T. Hummer for his invoice of Sept. 16, 19—. Date the note Sept. 16, 19—, and make it for 30 days.

151. **You** sell to H. J. Root, 21 Platt St., Baltimore, Md.:—96 pairs # 1 Squabs @ 64c; 55 pairs # 2 Squabs @ 49c. Terms 2/10—net 30.

You sell to H. J. Root, 21 Platt St., Baltimore, Md.:—25 # Lard @ 18c; 75 doz. # 1 Eggs @ 25c; 25 bu. Old Potatoes @ 89c. Terms draft at 30 days sight.

September 22, 19—

152. **You** sell to O. T. House, 120 Philadelphia St., New Oxford, Pa., 2 boxes Oranges @ $3.10¼. Terms 2/10—net 30.

You sell to O. A. Messenger, 32 Filbert St., Washington, D. C., 16 crates # 1 Eggs @ 25c. Terms sight draft.

You sell to W. Wright & Co., Hanover, Pa., 30 Grape Fruits @ 13 2/3c. Terms cash.

153. **You** discount, today, the note which you issued, in favor of S. G. Cella. The amount of this note is $35.75. **See paragraph 71 for other data. Be sure to read paragraph 26.**

September 23, 19—.

154. **You** buy from A. C. Lutz, Melrose, Md., 2375 # Lard @ 9 2/5c. Terms sight draft.

You buy from S. B. Tenner, 48 High St., Columbia, Pa., 3 tubs R. Lard, 500 # @ 10c. Terms draft at 30 days after date.

155. **You** receive from Mann & Mann a check in payment of the merchandise sold them September 17, 19—. **Do not forget to deduct the Merchandise Discount.**

You receive from C. A. Gregg a check in payment of the Merchandise sold him September 17, 19—. **Do not forget to deduct the Merchandise Discount.**

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156. **You** will draw a sight draft on O. A. Messenger for the merchandise sold him September 22, 19—. **For form of sight draft see illustration No. 27a.**

Note:—In actual business this draft must be presented to O. A. Messenger.

No entry will be made for this draft until O. A. Messenger pays it.

September 24, 19—.

157. **You** sell to James Hecker, 382 Market St., Lancaster, Pa.:—50 bu. Old Potatoes @ 90c; 10 bu. New Potatoes @ $1.15. Terms note.

You sell to R. A. Cates & Sons, 106 Maine St., McSherrystown, Pa.:—900 # Lard @ 18¾c; 20 bunches Bananas @ 71½c. Terms 3/10—2/30.

158. **You** receive from W. Wright & Co., a check in payment of the merchandise sold them September 22, 19—.

September 25, 19—.

159. **You** have been notified by your bank that A. C. Lutz has drawn a sight draft on you for $223.25. This draft was drawn in payment of the merchandise which you bought from Lutz September 23, 19—. **You** will now issue a check in favor of your bank (**Student's Bank**), in payment of this draft. As the bank is acting as your agent, they will pay this amount to Lutz for you. **Be sure to read paragraph 37. For entry see illustration No. 33.**

September 26, 19—

160. **You** buy from J. H. Love & Co., Meriden, Pa., the following merchandise:—84 bunches Bananas @ $1.39½; 946 pairs # 1 Squabs @ 43¾c; 235 pairs # 2 Squabs @ 34c; 100 bu. New Potatoes @ $1.08. Terms 2/10—note 30.

161. **You** receive from James Hecker, a note, for the merchandise sold him September 24, 19—. This note is dated September 24, 19—, and is given for 30 days. The amount is $56.50. **Be sure to read paragraph 79.**

162. **You** will make out a check in favor of the Hanover Fire Insurance Co., for $25.00.

Note:—You have had your merchandise insured and the $25.00 is given in payment of the premium.

Statement:—Cash performs the service in that it brings into your business **Insurance**, therefore **Insurance** is the result. **You will apply the rule to this statement in order to ascertain your entry.**

Remember to keep an account for Insurance.

September 27, 19—.

163. **You** receive the money on the Hecker draft which is due today. The amount of this draft is $135.46. **Read paragraph 23.**

164. **Your** bank collected the amount of the Hecker draft for you, and for doing so has charged you 25c.

Note:—The collecting of the money on notes, drafts, etc., is known as **Collection and Exchange.**

Statement:—Cash performs the service in that it secures for me **Collection and Exchange**, therefore **Collection and Exchange** is the result. **You will apply the rule to this statement in order to ascertain your entry.**

September 29, 19—

165. **You** sell to Mann & Mann, Cly, Pa.:—160 # C. Butter @ 29c; 312 doz. # 1 Eggs @ 25c; 22 doz. # 2 Eggs @ 19c. Terms draft 30 days after date.

166. S. B. Tenner has drawn a draft on you which you have accepted today.

The draft is dated September 29, 19—, and is given for thirty days after date. It is payable to the order of S. B. Tenner and is issued for $150.00. **You will make the entry for this draft.**

Note:—After you accept the draft, it becomes a **Note Payable to you.**

Statement:—Note Payable performs a service for you in that it liquidates your indebtedness to S. B. Tenner, therefore the liquidation of S. B. Tenner's account is the result. **Read paragraph 71 for application of rule and apply it to this statement.**

167. **You** will now deposit all cash on hand. Following are the checks which you have received:—Mann and Mann, $29.64; C. A. Gregg, $17.80; W. Wright & Co., $4.10.

Note:—Before making this deposit be sure to read paragraph 83.

168. **You** will now balance, rule and prove the **Cash Book. Read paragraph 84.**

If your cash book is correct, it will show a balance of $2721.84.

169. If your check book is correct it will contain the following:—Balance Sept. 13, 19—, $2760.85; Proceeds from H. J. Root note, $58.17; Proceeds from James Hecker draft, $135.21; Deposit $51.54. Checks issued:—A. C. Lutz, $223.25; Hanover Fire Insurance Co., $25.00; Proceeds of note issued to S. G. Cella, deducted, $35.68.

Note:—The Check Book balance will be the same as the **Cash Book** balance.

170. These are the correct balances for the following books:—**Purchase, $2625.19; Sales, $686.02; Notes Payable, $604.81; Notes Receivable, $56.50.**

Note:—Be sure to rule the different books mentioned in this paragraph.

171. Post all items from the different books into the **Ledger.** (This includes all items from Sept. 13, 19— to Sept. 30, 19—.)

Be sure to post all totals.

172. **You** will now take a **Trial Balance,** and make out a **Balance Sheet.**

The inventories for the **Balance Sheet** are as follows: Real Estate, $6615.00; Horse and Wagon, $385.00; Furniture and Fixtures, $54.00; Merchandise, $3436.05; Insurance $24.00.

Note:—If your **Balance Sheet** is correct, it will show the following results: Total of **Loss** column, $8.78; Total of **Gain** column, $502.39; **Net Gain** $493.61; Total of **Resource** column, $13914.91.; Total of **Liability** column, before **Present Worth** is added, $4752.56; **Present Worth, $9162.35.**

173. **You** will now close all accounts in the **Ledger.**

In General

174. The rule for determining whether an item shall be debited or credited, together with the instructions, etc., set forth in this work, are applicable to every different kind of transaction. It is therefore possible to take the transactions from any other work and, by applying the methods used in **Simplified Bookkeeping,** construct a set of books correctly.

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